Austria	Sch30	Indonesia	Rp3600	Pakistan	Rs35
Bahrain	Din1.000	Iran	Rls210	Philippines	Pso45
Belgium	BFr60	Israel	Shk5.50	Poland	Zl 16,000
Cyprus	C£1.00	Italy	L2500	Portugal	Es180
Czech	Kcs35	Jordan	JD1.20	Qatar	QR10.00
Denmark	DKr14	Korea	Won 2500	S.Arabia	SR9.00
Egypt	E£4.50	Kuwait	Fils.600	Singapore	S$4.10
Finland	FM10	Lebanon	L£1,250	Spain	Pta200
France	FFr8.00	Lux	LFr60	Sweden	SKr14
Germany	DM3.20	Morocco	MDh11	Switz	SFr3.00
Greece	Dr250	Neth	Fl 3.50	Thailand	Bht50
Hungary	Ft142	Nigeria	Naira20	Tunisia	Din1.000
Iceland	IKr180	Norway	NKr15.00	Turkey	L6000
India	Rs25	Oman	OR1.20	UAE	Dh9.00

EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

Newspaper of the Year

Thursday February 27 1992

D 8523A

CZECHOSLOVAKIA

German investment helps heal old wounds

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World News

EC to debate Ireland's policy on abortion

The European Parliament will press ahead with a debate on Ireland's abortion policy today, despite the Irish Supreme Court's decision to overturn a High Court ruling preventing a 14-year-old rape victim from terminating her pregnancy in Britain.

The parliament's legal affairs committee will debate the issue on the grounds that it has raised important issues of principle for the European Community. Page 18

Mideast peace talks

Palestinian delegates yesterday went into the third session of Middle East peace talks insisting they would only discuss Israeli settlements and what they described as human rights abuses in the occupied territories. Page 18

Friendship treaty

Germany and Czechoslovakia will sign a friendship treaty tomorrow aimed at laying to rest more than 50 years of animosity. Kohl sidesteps Sudeten Germans row, Page 2

Yugoslavia move

Lord Carrington is hoping to restart the stalled negotiations on Yugoslavia within the next two weeks. Page 2

Gorbachev complains

Former Soviet president Mikhail Gorbachev complained in an interview broadcast by Britain's Independent Television News, that he was finding it hard to make ends meet on a state pension following his abrupt removal from power. Yeltsin's young reformers in firing line, Page 2

Safeguards backed

South African political parties have agreed in principle to include protection for minorities in a new constitution, one of the most sensitive issues in multi-party democracy talks. Page 4

Tokyo 'too crowded'

Tokyo has become so crowded that Japan should build a new capital a government-commissioned panel said.

Journalist made minister

A political row has broken around the Polish government following the appointment of 29-year-old journalist Radek Sikorski, a naturalised British citizen, as the country's deputy minister of defence. Page 2; Trade expert for finance post, Page 2

Scalpels shortage

A hospital in the Rostov region of southern Russia is using razor blades to perform operations because of a shortage of scalpels, Postfactum news agency reported.

Three die in rampage

Three people were killed when hundreds of construction troops angered by poor working conditions went on a rampage at the Baikonur Cosmodrome in Kazakhstan, news agencies said.

Bangladesh aid cut

The World Bank has proposed a $500m cut in next year's aid to Bangladesh because the south Asian country has been unable to absorb its current allocation, officials said.

French ceasefire plan

France will propose a four-point ceasefire plan to stop fighting between Armenia and Azerbaijan in the disputed region of Nagorno-Karabakh.

S Africa cricket win

South Africa returned to international cricket with a victory over champions Australia by nine wickets in the day-night World Cup match at the Sydney Cricket Ground. Australia scored 170 for nine (49 overs). South Africa 171 for one (46.5). Picture, Page 4

FT No. 31,695

Business Summary

Berlusconi decides to bid for UK TV channel

Silvio Berlusconi, Italian media magnate, has decided to make a bid for the new Channel 5 commercial television franchise in the UK designed to compete directly with ITV.

The controversial Italian entrepreneur, who owns supermarket chains and publishing houses as well as the AC Milan football club, would, if successful, be the first foreigner to operate a British television channel. Page 6

AGNELLI family of Italy vowed to fight for control of Perrier, the French mineral water company, despite complications thrown up by a Paris Appeals Court ruling. Page 20

US durable goods orders rebounded last month, but the recovery was not enough to eclipse December's sharp plunge and failed to convince financial markets that any sustained economic recovery was under way. Page 5

BRITISH Airways and **KLM**, Dutch airline, have started legal proceedings in the Belgian courts over BFr1bn ($290m) of debts owed to each of them by Sabena, Belgian state-owned carrier. Page 20

EUROPEAN Community diplomats cleared the way for implementation of the free trade agreements between the EC and Poland, Hungary and Czechoslovakia, but asked the European Commission to continue discussions with the Poles about their alleged discrimination in favour of certain EC car imports. Page 3

SUBSIDIES are distorting world trade in textiles and clothing, and hurting UK exporters, according to a report. Page 3

AIRCRAFT industry: Russian manufacturers including Tupolev and Ilyushin have been approached by Aérospatiale of France to consider possible collaboration in the development of a new 600-seat jumbo airline with the European Airbus consortium. Page 3

CHINA angrily rejected a US Senate bill attaching conditions to renewal of China's preferential trade status with the United States, warning it would harm relations. Page 3

JAPAN'S industrial production for January fell 0.8 per cent from December, allaying fears it had fallen sharply during the month, but signifying the fourth consecutive month of year-on-year decline. Page 4

JOSE Luis Varez, Spanish financier, was poised to buy Grupo Ibercorp, the troubled private bank at the centre of a scandal involving allegations of insider dealing. Page 19

AKZO, Dutch chemicals group, posted a 5 per cent decline in net profits before extraordinary items in 1991, with buoyant results in pharmaceuticals helping to outweigh a sharp decline in the profitability of the fibres sector. Page 19

AER Lingus, Irish state airline, was fined nearly $1m by the European Commission for trying to stop British Midland Airways from breaking its virtual monopoly on flights between London and Dublin. Page 2

SMITHS Industries, UK defence and aerospace components group, is about to sign a partnership agreement with the Collins Avionics division of Rockwell International of the US. Page 18

BRITAIN and Argentina began talks in Buenos Aires on developing oil resources in the south Atlantic. Page 5

CAP Gemini Sogeti, Europe's largest computer services group, announced a wide ranging co-operation and share exchange deal with Volmac, the Dutch market leader, in which it already has a small stake. Page 19

S Dakota vote signals Republican dissent

By **George Graham** in Washington

US president George Bush's re-election campaign showed signs of growing disarray yesterday as a weak vote in Tuesday's South Dakota primary reinforced signals of dissent among Republicans.

Mr Bush's campaign advisers seem at a loss over how to reverse their candidate's plunging popularity. Unless they can stem the tide, many rightwing Republicans fear that their party could lose the presidency to the Democrats for the first time since 1976.

While the president, the sole candidate on the ballot paper, won 69 per cent of the Republican primary vote in South Dakota, the remaining 31 per cent of Republican voters entered a protest vote against Mr Bush by casting their ballots for uncommitted delegates to the party's national convention, which chooses the presidential candidate.

"It shows a terrible endemic weakness of the George Bush candidacy," said Mr Patrick Buchanan, the rightwing television commentator and former speechwriter for Richard Nixon, who won 37 per cent of Republican votes in New Hampshire's primary last week. Mr Buchanan was excluded from the South Dakota ballot by the state's party leadership.

Mr Stuart Rothenberg, a political analyst, described South Dakota's uncommitted Republican delegates as an "anybody-but-Bush ticket."

While the Bush campaign could dismiss Mr Buchanan's vote in recession-scarred New Hampshire as a "primal scream", South Dakota, which has been hurt much less, showed that the president has so far failed to convince voters across the country that he can help the economy.

This could damage him in other states with struggling economies such as Florida, which votes on March 10.

One of Mr Bush's campaign co-chairmen in Florida, Senator Connie Mack, has made it plain he does not believe the president has taken the measure of the recession, and yesterday renewed his attack on Mr Nicholas Brady, treasury secretary.

Some conservative Republicans feel that Mr Bush himself has lost all credibility as a bulwark against higher taxes by breaking his 1988 campaign pledge of "No new taxes" and argue that he needs a new, conservative treasury secretary to regain credibility.

Mr Bush's less than exuberant victory in South Dakota's Republican primary showed the dilemma for his campaign: he faces no serious obstacles to winning his party's nomination – indeed, he is likely to win every single state – but every weak victory will be chalked up as a loss.

Bush campaign officials have been irked by a Washington Post report that former president Ronald Reagan had told friends Mr Bush was in political trouble because "he doesn't seem to stand for anything."

Among the Democrats, South Dakota's primary shed little light on the eventual outcome; all four major candidates still need to prove themselves with a strong victory in a neutral state in order to translate regional strength into national support.

Senator Bob Kerrey of Nebraska, who won with 40 per cent of the vote, badly needed this strong score to revive his flagging and cash-starved campaign. The victory, however, can scarcely be regarded as a leap into the front-runner's slot, since his home state adjoins South Dakota.

Mr Kerrey intends to take on Governor Bill Clinton of Arkansas, who came third in South Dakota with 19 per cent, in Georgia on March 3, but his best chance of a follow-up victory may be in Colorado, on the same day.

Senator Tom Harkin of Iowa, second with 26 per cent, would have liked a stronger performance so close to his home state, but has the funds and organisation to compete strongly in Maryland and Minnesota on March 3.

Mr Paul Tsongas of Massachusetts, with only 9 per cent, underscored doubts about his appeal outside the north-east.

Allied aircraft fly over Kuwait on the first anniversary of its liberation

US winning the race for Kuwaiti contracts

By **Mark Nicholson**, Middle East Correspondent, in London

TO THE victors go the spoils of war: at least, this was the hope of US, British and French companies which rushed to liberate Kuwait last year for shares of what promised to be a $100bn harvest of contracts to rebuild the emirate.

A year on, though, it is clear that the rebuilding bill will be only about a fifth of the earliest estimates. It also appears that companies from only one of the Gulf war allies, the US, is winning anything like victors' spoils.

"We're doing well," said one US official. "Kuwait is certainly favouring US companies."

US groups have won at least $2bn worth of contracts and export orders in Kuwait since last March. Moreover, US exporters have increased market share in Kuwait, notably for cars and foods. Officials expect pre-war export levels of about $800m a year will rise to average more than $1bn for the next few years.

EXPORTS TO KUWAIT MAR-OCT 1991

US	$800m
Japan	$180m
UK	$115m
Germany	$93m
France	$60m

Source: DTI

US companies should also do well out of contracts still to be let. Of a likely bill for reconstruction of about $20bn over the next two or three years, at least half will be spent on restoring the oil industry, while this year's budget set aside $9bn for defence spending. US groups are leading contenders in both fields.

Bechtel, the private Californian group, has been in Kuwait since liberation with an open-ended deal as the services contractor for restoring the oil industry. No one will put a figure on the deal, but it is certain to be worth hundreds of millions of dollars.

Three US groups, Brown & Root, Fluor Daniel and Foster Wheeler, are also the leading contenders to win the management contract for repairing Kuwait's three oil refineries – a task expected to cost $2bn overall.

"We're pretty optimistic it will go our way," a US diplomat said.

In defence, the US is already providing the first of 40 F-18 jets under a $1.6bn deal signed in 1988. It also has an $81m agreement under which two US groups have begun $42.5m worth of work repairing damage to the country's two air bases.

Kuwait is also considering re-equipping its army with up to 200 Abrams M1A2 tanks.

Continued on Page 18

Denmark asks EC to probe Glaxo's prices

By **Paul Abrahams** in London, **Hilary Barnes** in Copenhagen and **Andrew Hill** in Brussels

GLAXO HOLDINGS, the UK pharmaceuticals giant, is being challenged over its European drug pricing strategy.

The Danish office of fair trading has asked the European Commission to investigate whether the company is abusing a dominant market position by charging excessively high prices for its drugs.

Glaxo's strategy of commanding premium prices for innovative products could be significantly undermined if the Danish move is successful.

The group needs to generate substantial revenues from new pharmaceutical products over the next few years if it is to compensate for an expected fall in sales of Zantac, its best-selling ulcer drug.

The Danish authorities have complained about the price of three recently introduced products: Imigran, a migraine drug; Serevent, an asthma product; and Zofran, an anti-cancer pharmaceutical.

All three drugs have been described by analysts as possible "blockbusters" with potential sales of more than $1bn a year. Revenues generated by Imigran have been forecast by analysts to reach more than $2bn a year by 1997.

In order to prove that Glaxo is abusing a dominant position, the Commission will have to establish that the price charged is excessive through an in-depth analysis of the cost of producing the drug. The European Court of Justice has ruled that prices are excessive when they have no reasonable relation to the "economic value" of the product.

"The fact of having a patent doesn't by itself enable you to charge whatever price you want," said Mr Romano Subiotto, an EC competition lawyer with Cleary, Gottlieb, Steen & Hamilton in Brussels.

Glaxo said last night it was studying the Danish complaint. The company said its drug prices reflected the benefit of each product to society and the patient, as well as the cost of research and development. Glaxo expects to spend £600m ($1.05bn) on research and development this year.

Last week, Dr Ernest Mario,

Continued on Page 18

London stock market, Page 27

Keating stakes A$2.3bn on Australian recovery

By **Kevin Brown** in Canberra

AUSTRALIA'S Labor government yesterday staked its future on a A$2.3bn ($1.72bn) spending programme intended to speed up economic recovery and bring unemployment below 10 per cent before the next election scheduled to take place by mid-1993.

The success of the package will determine the government's chances of overhauling the conservative opposition made up of the Liberal and National parties, which has a substantial lead in most opinion polls and is widely expected to win the election.

Mr Keating said the spending programme would form the first stage of a four-year "strategy for growth" which would create 800,000 jobs and lay the groundwork for a decade of prosperity.

Longer-term structural economic reforms include further deregulation of aviation, relaxation of controls on foreign banks and simpler planning procedures for big mining projects.

The government also announced reforms to the corporate tax system, including accelerated depreciation allowances, more generous treatment of banks' bad debt provisions and changes to capital gains tax.

Ministers hope the tax changes will help accelerate growth by encouraging private sector investment and giving banks an incentive to allow problem borrowers to trade their way out of trouble.

Mr Keating was unable to find room for cuts in income tax before the election. However, he promised cuts worth more than A$8bn by 1996, sufficient to reduce the top rate of tax to 30 per cent for three-quarters of taxpayers.

Mr Keating promised during his leadership campaign to produce an economic statement calculated to "get Australia moving again" after two years of flat or negative growth, which have seen unemployment rise to 10.3 per cent.

Most of the A$2.3bn earmarked for pump priming will be spent on infrastructure projects to upgrade Australia's inefficient roads and railways and ease congestion at crowded airports, notably in Melbourne and Sydney.

The government resisted strong pressure from trade unions and some employers for a slowdown in its 10-year tariff reduction programme.

However, Mr Keating said it would provide an extra A$51m to ease transition costs for the clothing, textile and footwear industries. Farmers will also receive A$19m to help them cope with lower wool and wheat prices.

The prime minister said the package would boost growth in gross domestic product from zero this year to 4.75 per cent in 1992-93, followed by average annual growth of 4 per cent up to 1996.

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Keating plays for make or break, Page 4
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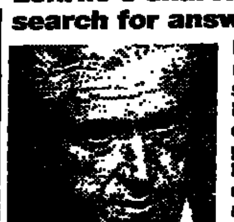
Lonrho's shareholders search for answers



In the past four months, Lonrho's share price has halved. Part of the drop stems from the prominence of Tiny Rowland (left), Lonrho's chief executive, at a time when tycoons are out of fashion

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MARKETS

STERLING
New York lunchtime:
$1.7475
London:
$1.746 (1.757)
DM2.885 (2.88)
FFr9.8075 (9.795)
SFr2.615 (2.61)
Y226.25 (227.5)
£ index 90.6 (90.7)

GOLD
New York Comex Apr
$364.6 (364.4)
London:
$349.35 (350.2)

N SEA OIL (Argus)
Brent 15-day Apr
$17.275 (17.35)

Chief price changes yesterday: Page 19

DOLLAR
New York lunchtime:
DM1.65105
FFr5.612
SFr1.4985
Y129.455
London:
DM1.6525 (1.6395)
FFr5.6175 (5.575)
SFr1.498 (1.485)
Y129.65 (129.45)
$ index 64.4 (64.0)
Tokyo close: Y129.73

US LUNCHTIME RATES
Fed Funds: $3\frac{13}{32}$%
3-mo Treasury Bills:
4.046%
Long Bond:
$100\frac{7}{8}$
yield: 7.916%

STOCK INDICES
FT-SE 100: Yield 4.82
2,565.0 (+18.2)
FT-A All-Share:
1,228.94 (+0.6%)
FT-SE Eurotrack 100:
1,165.89 (+9.47)
New York lunchtime:
DJ Ind. Av.
3275.04 (+17.21)
S&P Comp
413.15 (+2.70)
Tokyo: Nikkei
21,364.77 (+339.22)

LONDON MONEY
3-month interbank:
$10\frac{9}{32}$% ($10\frac{1}{4}$%)
Liffe long gilt future:
Mar $98\frac{3}{16}$ (Mar $97\frac{31}{32}$)

Growing regional divisions threaten Italy's two main parties

ASK A MILANESE what he understands by a "model 740" and the reply is: "A tax form, of course." Ask a Roman and the reply is: "A Volvo." Ask a Neapolitan and he says quizzically: "You mean twenty minutes to eight?" Ask a Sicilian and he replies: "I've never heard of that calibre before!"

Though a Milanese joke, this stereotyping of Italians encapsulates the enormous distance in perceptions which northerners see separating them from both the government in Rome, and the rest of the country in the south. At its simplest the north works and generates the money which is spent frivolously by Rome: the Neapolitans can scarcely get up in the morning to do an honest day's work, while the Sicilians are locked in a time warp of crime.

Despite a blanket of prosperity now covering Italy, and despite the huge sums of money pumped into the south to redistribute income in the post-war period, the north-south gap is growing. This divide promises to be a central element in the campaign which has just begun for general elections on April 5.

Northern political frustrations have found a voice and a movement in the form of the populist Lombard League. The

Socialists and Christian Democrats face erosion of support, writes Robert Graham

League's platform is a return to "clean government", tighter controls on state spending, more money channelled to the north and a social policy that tightens controls on immigration. Its base is the industrial heartland of cities in Lombardy such as Brescia and Bergamo; but its appeal has spread across into Piedmont, the Veneto, parts of Liguria and even further south in Emilia Romagna and Tuscany.

The emergence of the League into national politics over the past five years, operating on a loose structure of regional 'leagues', might have been contained but for two factors. First, the appeal of the two main government parties, the Christian Democrats (DC) and the Socialists (PSI) is declining. Second, the disappearance of the Communist Party last year and its replacement by the Party of the Democratic Left (PDS) has created a void for the once-powerful opposition vote of the left. As a result these elections are likely to rewrite the political geography of Italy.

In the absence of reliable opinion polls, the best gauge of the success of the League is the party's performance in municipal elections last November in Brescia, one of the richest cities in Italy and long run by the DC. The League obtained the largest single share of the vote – 24.4 per cent against the DC's 24.3 per cent and 10.3 per cent for the Socialists.

The swing in vote when seen against the last general elections of 1987 was enormous. Then the League had only managed to win 1.6 per cent of the vote and the DC 32 per cent. Another element to the Brescia poll was the collapse of the Communist vote in the period since the 1987 general election. From being the second-largest party four years ago with 21 per cent of the vote, the newly-formed PDS gathered less than 10 per cent.

With the northern business community and parts of the Roman Catholic church hierarchy strongly behind the League, the pattern of Brescia results could be repeated across a swathe of northern Italy. The Christian Democrat vote, and that of the Socialists and former Communists, is also likely to be eroded by protest votes going to the Greens and well-organised minority groups such as the Pensioners Party.

Nationwide, the former Communist vote, the second-largest in 1987 with 26 per cent, is expected to be slashed. The PDS itself accepts its share of the vote will fall sharply in all areas save the traditional "red" belt in Emigla Romagna, Tuscany and Umbria. And the PDS has to contend with the hardliners among the former Communists who have formed the Reconstituted Communist Party (Rifondazione Communista) which could account for 15 per cent of its former vote.

The decline of support for the DC and the PSI may well be limited to the north and centre of the country. Especially in the south, which has more than 35 per cent of the electorate, these two parties still hold the purse strings and control patronage, all important when the state is the motor of the economy.

They also enjoy many dubious links with organised crime whose political influence cannot be ignored in these parts. In poor regions such as Basilicata, the DC held 46 per cent of the vote in 1987 and marginally increased this share in regional elections two years ago. The PSI also improved its share of the vote in the 1990 regional elections in the south by almost 5 per cent.

This pattern was confirmed last year in Sicily's regional elections, which saw the Christian Democrats increase their support from 39 to 43 per cent. The increase was despite the emergence of a new party of clean government, La Rete (The Net) backed former Christian Democrats, ex-Communists and members of the Catholic Church, with 8 per cent of the vote.

If these trends are repeated in the general elections against a background of frustration with a political system in need of change, voters may be tempted to flirt more with small parties that appeal to specific interests – such as regional parties in Sardinia and the Alto Adige or the Greens.

At the same time the Christian Democrats and Socialists could come become "meridionalised" parties, identified with their strongholds in the south out of touch with the aspirations of the north.

Trade expert for Polish finance post

By **Christopher Bobinski** in Warsaw and **Anthony Robinson** in London

POLAND'S prime minister, Mr Jan Olszewski, yesterday turned to Mr Andrzej Olechowski, one of the country's best known banking and trade experts, to fill the economic policy vacuum caused by the resignation of Mr Karol Lutkowski, the finance minister.

The 44-year-old economist will have to be approved by the parliamentary budget committee and by the lower chamber of parliament, which is expected to vote on the nomination later this week.

Mr Olechowski, who, as minister of foreign trade, played a key role in negotiating last year's EC association agreement and was deputy chairman of the Polish central bank before that, faces difficult budgetary and other decisions once he wins approval. Mr Lutkowski resigned after six weeks saying he had no confidence the government would avoid inflationary policies.

Earlier this week the government announced a 12 per cent devaluation of the zloty against a basket of five western currencies to improve Polish competitiveness and offset the impact of domestic inflation. The latter is running at an annualised rate of around 70 per cent. This devaluation comes on top of the regular 1.8 per cent monthly "crawling peg" devaluation which has taken place since October.

Mr Olechowski, who spent nine years at Unctad in Geneva and the World Bank in Washington, says he is determined to cut the government's Zl 115,000bn (£5.57bn) budget deficit by the Zl 60,000bn needed if the government is to fulfil its target of restraining the budget deficit to 5 per cent of gross domestic product.

His other priority will be to gain more support from international financial institutions. This year, he says, Poland needs to offset the $1.5bn outflow from the resumption of debt service payments.

This follows last year's 50 per cent debt reduction agreement with the Paris Club of official creditors. "We can't have a net capital outflow this year given the difficult stage our reforms have reached," he says, referring to mounting concern over the depth of Poland's recession after two years of sharply declining industrial production and GDP.

Mr Olechowski remains a supporter of rapid privatisation, especially of financial institutions like state-owned banks and insurance companies. He is also determined to attract more foreign investment: "Something has to be done about dispelling the xenophobic mood which is beginning to appear."

Another political row has broken around the Polish government following the appointment of Mr Radek Sikorski, a 29-year-old naturalised British citizen and a former Warsaw correspondent of the London Sunday Telegraph, as a deputy defence minister. President Lech Walesa served notice that he would contest a decision widely criticised by press and politicians.

Mr Sikorski obtained British citizenship after leaving Poland during the martial law period. "As a loyal citizen of the British crown will he be an equally loyal citizen of the Polish republic when he gets access to the most confidential state secrets?" asked the mass circulation Gazeta Wyborcza newspaper. Over the past year Mr Sikorski worked as a consultant in Warsaw for media magnate Rupert Murdoch.

Control over the armed forces remains a sensitive political issue. Last month the government's decision to chose a civilian defence minister, Mr Jan Parys, to replace replace Admiral Piotr Kolodziejczk brought it into conflict with Mr Walesa.

The president wanted to reassure the military by keeping one of their number at the head of the defence ministry. The government was equally keen to show that it is intent in severing the links with Poland's communist past.

Yeltsin's young reformers in firing line

By **Leyla Boulton** in Moscow

PRESIDENT Boris Yeltsin's government may have survived the launch of unpopular economic reforms. But behind the scenes the Russian leader is having to manoeuvre hard to withstand what could be a fatal attack on his young cabinet of economic reformers.

Storm clouds are gathering fast before the crucial meeting of the Congress of People's Deputies, Russia's top legislature, on April 6 – its first since it gave President Yeltsin emergency powers to conduct the reforms.

Mr Ruslan Khasbulatov, the chairman of the Russian parliament, yesterday again urged Mr Yeltsin to give up the leadership of the cabinet and reshuffle the government in order to protect his popularity. Otherwise Congress could strip him of the emergency powers, or force the government's resignation with a no-confidence vote.

Meanwhile, an aide to Vice-President Alexander Rutskoi, another leading critic of the team of economic reformers, claimed Mr Yeltsin had given Mr Rutskoi additional powers to "control the cabinet".

He said a new presidential decree confirming Mr Rutskoi in his new role as land reform overlord gave him the final say in matters extending to the conversion of defence plants for the production of agriculture machinery and the allocation of proceeds from state arms sales.

A spokesman for Mr Yeltsin's government denied that the decree gave Mr Rutskoi additional powers, saying his authority would simply extend over areas such as drafting unemployed army officers into private agriculture.

Mr Khasbulatov and Mr Rutskoi have led public attacks on the government for focusing on financial recovery at the expense of industrial output and social subsidies. Although they do not as yet command significant popular support, both men are waiting for further economic woes – such as an slump in production – to advance their cause.

It was no coincidence that Mr Yeltsin was yesterday consulting leaders of parliamentary factions, and his vice-president.

Other critics include the mayor of St Petersburg, Anatoly Sobchak, who told the German magazine Stern that Russia faced a "social explosion" if Mr Yeltsin's government continued its current economic policies.

In addition, 60 deputies who are also managers of heavy industry, are drafting a plan to strengthen state controls and subsidies for industry. The group, which includes a number of directors from the defence industry, will take their plan to parliament if the government rejects it.

President Yeltsin is unlikely to crumble easily. Not only does he enjoy the legitimacy of being Russia's first democratically elected president, but he has been driven into the radical reforms because of the failure of half-measures in the past.

None the less, he will need all his political skills to outmanoeuvre his critics.

The French embassy in Kiev said yesterday it had lost FFr600,000 (£61,000) in the Russian takeover of Vnesheconombank, writes Chrystia Freeland in Kiev.

Mr Philippe Pegorier, commercial attaché, said the account opened by the Kiev embassy last July had been frozen by Vnesheconombank's Moscow headquarters.

The embassy's plight is shared by hundreds of Ukrainian enterprises, said to have lost $500,000 deposited with Vnesheconombank. Their accounts were frozen in December when Russia suspended Vnesheconombank operations.

Recovery of these assets and collective control over Vnesheconombank are key Ukrainian demands in negotiations over dividing Soviet debts and assets.

IAEA acts to tighten checks for N-weapons

THE International Atomic Energy Agency yesterday tightened its powers to check for secret arms development, including inspection of undeclared sites and gathering foreign intelligence, Reuter reports from Vienna.

The 35-nation board of the IAEA, the United Nations' nuclear watchdog, affirmed the right of its inspectors to visit any site in states which had signed the agency's safeguards agreements.

The Vienna-based agency, which since the end of the Gulf war has been unravelling details of Iraq's nuclear programme, will also be able to consult foreign intelligence sources about secret projects.

"The board further reaffirmed the agency's rights to obtain and have access to additional information and locations," said IAEA director general, Mr Hans Blix.

An IAEA spokesman said the board also agreed member states should submit to the agency any design for new installations or changes to existing nuclear sites.

But a proposal for an IAEA data bank of imports and exports of sensitive equipment was disputed by several western industrial states, which said it would be too laborious and costly to compile.

"The intention is to build up a picture of who is importing equipment that is incongruous with the scale of its known nuclear programme," said the IAEA's Mr David Kyd.

"It will mean a lot of work but unless someone does this it is going to be a critical weakness in the system.

"It was one of the weaknesses in Iraq. You couldn't tell that they were buying three of one item in one place, four in another and so on."

Mr Kyd said debate on the list of equipment was continuing yesterday, but it was unlikely anything would be decided before the board's next meeting in June.

IAEA officials said the tightened controls would only apply to countries which had agreed full IAEA safeguards accords. States with agreements to inspect only specific sites, such as Algeria, would not be obliged to open others for inspection.

North Korea, suspected by Washington, Seoul and Tokyo of developing nuclear weapons, said on Tuesday it expected to ratify a long-awaited safeguards pact in April and open its secret nuclear sites to IAEA checks by June. But Mr Robert Gates, US Central Intelligence Agency director, said North Korea could have a bomb in as little as a few months. He said it was planning to conceal the work from future inspectors.

Kohl sidesteps Sudeten Germans row

By **Ariane Genillard** in Prague and **Quentin Peel** in Bonn

GERMANY'S treaty of friendship and good neighbourliness with Czechoslovakia will be signed today in Prague by Chancellor Helmut Kohl and President Vaclav Havel, to the considerable relief of both parties.

In spite of the desire of the two governments to lay the basis for close co-operation, the treaty has reopened deep historical wounds, and caused political ructions in both countries: from the left in Czechoslovakia, and from the right in Germany.

On the positive side, the treaty recognises the inviolability of their border, thus providing some reassurance for Czechoslovak sensibilities. And it underpins Germany's considerable investment – at least two-thirds of the estimated $850m in foreign capital which has flowed into the country over the past two years – with assurances of inter-governmental co-operation in a range of fields from the economy to culture and the environment.

But anxieties have been aroused by what the treaty leaves out.

Mr Kohl and his Foreign Minister, Mr Hans-Dietrich Genscher, have had to face down the opposition of their coalition allies from the Bavarian-based, and distinctly conservative, Christian Social Union (CSU), to get the treaty signed. The CSU wanted the treaty to include some support for the property claims of up to 2.5m Sudeten Germans, expelled from Czechoslovakia in 1945 after the defeated German troops withdrew, most of whom now live in Bavaria.

Since the collapse of communism in Czechoslovakia, the Sudeten Germans have lobbied aggressively to regain their former properties. Under the current Czechoslovak restitution law, properties confiscated before the communist takeover in 1948 cannot be given back to former owners.

The Czechoslovak government has refused to include any provision in the treaty for outstanding property claims. Bowing to German pressure would have undermined its position in coming elections.

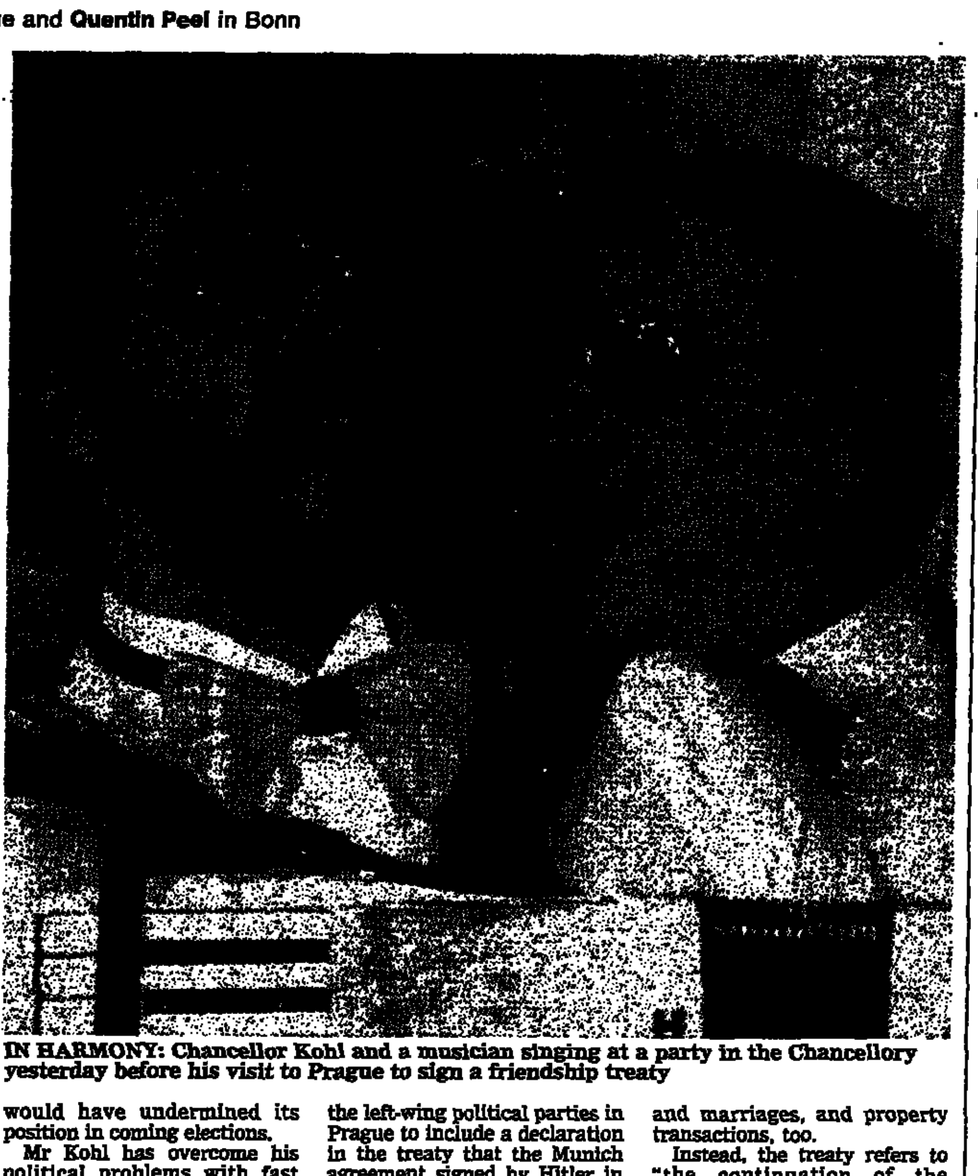
Mr Kohl has overcome his political problems with fast footwork, made to look like confusion. He promised the CSU a parliamentary debate and resolution to back up the case of the Sudeten Germans. But the three coalition partners failed to agree on any text, and the debate has been postponed until after the signing.

Mr Havel, meanwhile, has faced growing demands from the left-wing political parties in Prague to include a declaration in the treaty that the Munich agreement signed by Hitler in 1938, and used as the basis for the German occupation of the Sudetenland, was "null and void."

The German government has refused to declare the accord null and void, on the grounds that such an action would make illegal everything which occurred in the Sudetenland between 1938 and 1945, including the registration of births and marriages, and property transactions, too.

Instead, the treaty refers to "the continuation of the Czechoslovak state since 1918." This has only served to infuriate Slovak deputies, because it does not refer to the four years during the Second World War when Slovakia was a pro-Nazi independent state. Slovak as well as Czech deputies have to ratify the treaty in the next few months.

See feature on German investment in Czechoslovakia



IN HARMONY: Chancellor Kohl and a musician singing at a party in the Chancellory yesterday before his visit to Prague to sign a friendship treaty

Carrington tries to get peace talks going again

By **Laura Silber** in Belgrade

LORD CARRINGTON is hoping to restart the stalled negotiations on Yugoslavia within the next two weeks. The chairman of the European Community's peace conference on Yugoslavia said after a meeting yesterday with Mr Slobodan Milosevic, the Serbian president: "We shall probably have a plenary [session] in about 10 days time... when we can take stock of where we stand."

Although the fifteenth ceasefire in the Yugoslav conflict, brokered by the United Nations on January 3, has mostly held in Croatia's war zones, little progress has been made in political negotiations between the former Yugoslav republics.

"The arrival of the [UN] peacekeeping troops does not in itself bring a peaceful settlement," said Lord Carrington. "We've got to do what we can to speed things up."

The two men also discussed the situation in Krajina, the Serbian enclave in Croatia, whose leaders had opposed the despatch of UN peacekeepers. About 14,000 UN troops are expected to arrive in three crisis zones in Croatia over the next six weeks.

An EC-brokered conference on Bosnia-Hercegovina is due to resume today in Sarajevo, the Bosnian capital, before the weekend referendum on independence in the central republic. The referendum has stirred fears of conflict among the republic's volatile national mix of Slavic Moslems, Serbs and Croats. About 44 per cent of Bosnia's 4.3m inhabitants are Moslems, 33 per cent are Serbs and 17 per cent are Croats.

Violence is slowly increasing. Twelve people were hurt in a bomb blast in a northern Bosnian town on Monday and a local official was killed the same day in the west of the republic.

NEWS IN BRIEF

Aer Lingus fined over London-Dublin flights

Irish state airline Aer Lingus was fined nearly $1m by the European Commission yesterday for trying to stop British Midland Airways from breaking its virtual monopoly on flights between London and Dublin, Reuter reports. It was the first time Brussels had fined an airline for refusing to co-operate with a rival so that people with business class or other standard tickets could switch from one airline to another on a specific route.

Volvo-Mitsubishi venture probed

Brussels yesterday confirmed that it was investigating whether the Dutch government gave illicit subsidies to a joint venture between the Dutch unit of Sweden's Volvo and Mitsubishi Motors, Reuter reports. "The Commission is concerned that the participation of the Dutch state in the financing of the new car series [planned by the joint venture] is difficult to justify in terms of the behaviour of a private investor," it said.

French national library go-ahead

The French government said yesterday that construction of the new national library would begin next month, its design modified slightly following criticism by hundreds of prominent scholars and Nobel laureates, AP reports from Paris. the $1.3bn La Bibliotheque de France is one of President François Mitterrand's most ambitious architectural projects.

More states sign Helsinki accord

Five leaders of former Soviet republics signed the Helsinki Final Act yesterday, promising to uphold its human rights and security principles, Reuter reports from Helsinki. Belarus, Moldova, Tajikistan, Ukraine and Uzbekistan signed the accords of the 46-member Conference on Security and Cooperation in Europe in the hall, where 35 nations agreed the original document in 1975.

EC puts paid to sex discrimination in night work

By **Frances Williams** in Geneva

SIX European Community countries and Switzerland are intending this week to denounce the International Labour Organisation convention banning night work by women in industry. The move has been hailed by supporters as ending unjustified sex discrimination but decried by critics as increasing women's vulnerability to exploitation.

After this week no Community country will be bound by the 1948 ILO Convention, whose 48 remaining adherents will be almost exclusively drawn from the Third World. Germany, Britain and Denmark never ratified the convention, and Ireland, Luxembourg and the Netherlands pulled out 10 years ago. Now Belgium, France, Spain, Greece, Italy and Portugal are taking advantage of the latest year-long "window" for revoking ratification of the convention which expires this month.

Their decision reflects a ruling last year by the European Court that a French law forbidding nightwork by women was discriminatory, and so illegal under Community law. Governments and employers have also complained that the 1948 convention, which applies only to industry, is too rigid.

In Switzerland, where the government's denunciation decision was preceded by a long public debate, trade unions argued that the nightwork ban (with exceptions) should be extended to men and expressed fears that scrapping it could make women especially vulnerable to pressure to work at night by employers because they tend to be cheaper to employ.

Some estimates suggest that in the Swiss economy as a whole more women already work at night than men since they predominate in services such as nursing, hotels, cleaning and so on where nightwork is routine.

The European Commission in Brussels has recommended that member countries ratify ILO Convention No.171 of 1990 – a "new generation", more flexible convention which aims to improve conditions for all nightworkers, men as well as women, in services as well as industry.

The convention includes provisions on pay for unsocial hours, health monitoring, the right to transfer to day work for medical reasons and maternity protection. Switzerland has already said it plans to change its law on working conditions with ratification of the 1990 convention in mind.

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WORLD TRADE NEWS

Aérospatiale seeks Russian role in Airbus

By Paul Betts, Aerospace Correspondent, in Singapore

RUSSIAN aircraft manufacturers including Tupolev and Ilyushin have been approached by Aérospatiale of France to consider possible collaboration in the development of a new 600-seat jumbo airline with the European Airbus consortium.

Martre: seeking new partners

Mr Henri Martre, the chairman of the French state-controlled aerospace company which owns a 37.9 per cent stake in Airbus, said at the Singapore Air Show yesterday that Aérospatiale was trying to introduce former Soviet as well as Asian co-operation in future Airbus plans to build an ultra-large aircraft.

He said Aérospatiale had established links two years ago with the Soviet aircraft industry which were growing rapidly.

Apart from the new jumbo project, Aérospatiale is considering joint development of a new light civil helicopter with Russian partners and is discussing Russian participation in the long-term possible development of a second generation supersonic aircraft.

Airbus said yesterday it has so far not had any direct contact with Russian aircraft manufacturers over its proposals to develop a 600-seat jumbo. But it added that under the Airbus system, each partner in the consortium was free to subcontract work and development to other companies.

Mr Martre said the huge costs of developing a new 600-seat aircraft would require wider co-operation than under the current Airbus partnership. The Commonwealth of Independent States had a powerful aeronautical and space industry and could become an important partner, he added.

Airbus is also expected to start delivering soon the first of five A310 wide-body aircraft worth about \$400m (£228.5m) ordered by Aeroflot. Deliveries of the aircraft have been delayed because financing had to be renegotiated.

Mr Martre remained cautious about the eventual timing of the launch of a 600-seat aircraft programme.

Preliminary studies to define the aircraft were likely to take at least five years. Mr Martre added that the market for such an aircraft was not at present sufficiently large to launch a programme.

■ The former Soviet aircraft industry is desperate for western partners and investment, writes Anthony Robinson. In return it offers a combination of high-quality design skills, long experience in rugged airframe design and construction and a cheap, highly qualified labour force.

The industry faces a difficult future following the big cutback in military orders and long delays in bringing new civilian projects like the Ilyushin IL-96, replacement of the long-range IL-62 and the medium-range Tupolev Tu-204, into mass production.

Chinese anger at US move on MFN

CHINA yesterday angrily rejected a US Senate bill attaching conditions to renewal of China's preferential trade status with the United States, warning it would harm relations, Reuter and our foreign staff report.

"The bill violates the principle of mutual benefit of bilateral trade, and the Chinese side rejects this and will never accept it," the Foreign Ministry said in a statement on national radio. "This kind of conditionality will harm bilateral trade and diplomatic relations."

Both countries yesterday gave conflicting accounts of progress made between them in talks in Beijing. The Chinese press said progress had been made on a number of specific issues.

However, Mr Joseph Massey, assistant US trade representative, told a press conference in Beijing that "we made no specific progress in terms of a document or set of commitments to advance the talks beyond where we have been." Mr Massey said the differences between the two sides were substantial, with the US calling for profound changes in practices, policies and regulations governing trade in China, many of which remain secret.

The Senate on Tuesday approved a bill linking renewal of China's Most-Favoured Nation (MFN) trade status to improvements in Beijing's record on human rights, trade and missile proliferation.

Washington first granted China MFN status in 1980 and it has been renewed on a year-by-year basis since then.

The vote marks the opening shot in what is likely to be a period of aggressive exchanges between China and the US as the deadline for renewal of MFN status approaches on July 3. It also marks the end of a brief period of calm in US-China trade relations.

Hong Kong businessmen appeared yesterday to take to heart a call from the colony's government not to be alarmed by the US Senate vote, writes Simon Holberton in Hong Kong. The Hang Seng index rose sharply on the news and closed at a record high of 4,794.71, up 35.51 on the day.

UK textile body attacks subsidies

SUBSIDIES are distorting world trade in textiles and clothing, and hurting UK exporters, according to a report published today by the London-based Apparel, Knitting & Textiles Alliance (AKT), writes David Dodwell.

Biggest offenders are India, Pakistan and China, says the report. Subsidies range from simple cash support for exports to subsidy of raw materials, or subsidised loans for investment and export.

The AKT, which represents the UK's £15bn textile and clothing industries, calls for a ban on export subsidies, increased transparency, rights to impose countervailing duties on offending exporters, and agreed international environmental standards.

The alliance calls on the General Agreement on Tariffs and Trade (Gatt) to tighten rules on the use of subsidies, and to enable rapid investigation of abuses. The UK industries have trimmed an estimated 87,000 jobs since 1988.

Among investment subsidies, the AKT targets South Korea's recently agreed plan to provide £2.5bn to promote investment in its textiles and clothing industry.

Controlled prices for raw cotton in Pakistan and China provided effective subsidies of £350m and £1.5bn respectively in 1991 to textile and garment exporters, the report claims.

Australia warned on tariff cuts

THE Australian government should resist calls from manufacturers and others for a slow-down in the pace of tariff reductions, according to a report on Australia's trade with north-east Asia, writes Kevin Brown in Sydney.

The report, by the Foreign Affairs Department's East Asia Analytical Unit, says attempts to protect domestic industries through protection and government intervention would damage Australia's trade prospects. The report is an update of a 1989 study by Professor Ross Garnaut which provided much of the justification for government plans to reduce tariffs to negligible levels by early next century.

It says north-east Asia - especially Japan, China, Korea, Taiwan and Hong Kong - is crucial to Australia's future economic performance.

The region already takes 40 per cent of Australia's merchandise exports, and provides 20 per cent of investment. The region will continue to grow faster than most parts of the world, and the report warns that Australia needs to stay abreast of important changes, including the movement of manufacturing operations to lower-cost countries.

The report rejects the argument that countries in the region have benefited from intervention by governments in selected industrial sectors.

Unctad catches the free-market bug

UN body seeks to assist rich and poor in an open trade system, writes Sarita Kendall

AGAINST all the odds, the UN Conference on Trade and Development appears to have accomplished what it set out to do at its eighth conference in Cartagena, Colombia: restructure itself so it can play a bigger part in influencing world trade and development.

The future of this UN organisation, which has functioned since its founding in 1964 primarily as a trade and development watchdog on behalf of the developing world, depends on finding new ways to benefit countries – from the very poor to the very rich – that endorse free-market policies.

With so many developing countries already carrying out market-oriented reforms and accepting the liberalisation of trade as part of a growth strategy, dialogue has become easier.

Few significant conflicts surfaced at Unctad VIII, and, to most delegates' relief, ideology barely intruded. The desperation to keep up "the spirit of consensus" was such that the final political declaration dissolved into a few platitudes – but the document on revamping Unctad is solid.

The organisation's existing committees have been scrapped, and four new ones named. Although the subjects covered – commodities, poverty alleviation, service sectors and economic co-operation among developing countries – are not new, their terms of reference will be redrawn to fit changing circumstances.

DEVELOPING COUNTRIES: PERCENTAGE GROWTH IN VOLUME OF EXPORTS 1980-1989*

	1980-1985	1985-1989
All developing countries	-1.2	9.5
Africa	-4.1	2.5
North Africa	-4.9	5.0
Sub-Saharan Africa	-3.7	0.8
Asia	5.5	8.9
West Asia	-12.3	11.4
South and South-East Asia	7.4	15.0
Latin America	3.7	2.6

*Annual average. Source: Unctad secretariat

"This will have to be done rapidly because the countries clearly intend it should be," said Mr Carlos Fortin, deputy to the secretary-general, Mr Kenneth Dadzie.

Mr Fortin sees Unctad's main function as providing an overall vision of trade and development related issues, and extending this to analysing problems that need international action. For example, all nations wanted to increase trade, so competition was a special concern.

"What kind of competition do we really want? What economic and other obstacles are there for competition? Unctad can do global studies of this nature and be a pioneer in getting agreements going," said Mr Fortin.

Competition surfaced in several guises and is one of the reasons developing countries have come to endorse the negotiations under the General Agreement on Tariffs and Trade (Gatt). Until recently Gatt was seen as a rich man's club (with Unctad known as the poor man's Gatt), but now that poorer countries are more interested in trade they want the protection afforded by clear multilateral rules. As a result, there were repeated calls for a successful conclusion to the Uruguay round.

Both poverty and the environment were taken up by the conference: "sustainable" development was the byword, with the proposal that Unctad could be one of the organisations to follow up the Rio Earth Summit in June and help create a new environmental order. Trade-related environmental questions, especially where commodities are involved, are already being tackled by Unctad. The conference gave a high priority to alleviating poverty with support for programmes designed to deal with the problem of the 47 least developed countries, particularly in the context of depressed commodity prices.

But Unctad has invested enormous efforts in commodity questions "to remarkably little effect", as one African delegate said. And Colombia's proposal for a world commodity conference received only tepid backing because few members believed it could succeed where, for instance, coffee pact negotiations have so far failed.

The volume of world exports grew by an average of 6.5 per cent a year from 1985 to 1990, with the market-oriented industrialised countries accounting for about 70 per cent of the total. Although developing countries increased their exports by 9 per cent a year in the same period, this figure was largely due to the performance of south-east Asian countries. By contrast, African and Latin American countries depending mainly on commodities had lower export growth by volume, and lost purchasing power.

Developing countries are particularly enthusiastic about Unctad's concept of "trade efficiency" which proved its practical worth in a newly installed "Trade Point", a trade information technology centre, in Cartagena. "We've shown here that we can cut the cost of transactions by 40 per cent, even in a small city. It's not highly sophisticated technology, it only costs \$20,000 to install," said Mr Jean Gurunlian, chief of Unctad's trade facilitation programme. "The main aim is to eliminate obstacles and corruption, and move goods faster. What it does require is a change of attitude."

Delegates were so impressed by the possibilities of savings in time and costs that they agreed on a Trade Efficiency Symposium in 1994.

Unctad's role as the main UN development forum is still a diffused one, with the important decisions being made by the World Bank, the International Monetary Fund and Gatt.

At a time when Unctad, is under pressure to be more useful and look for ways of alleviating poverty, the efficiency concept is thus especially relevant.

At the end of the conference, Mr Dadzie, whose term was extended by a year, said the meeting marked a turning point and reflected "a remarkable unity of purpose".

EC clears trade deal with east

By Andrew Hill in Brussels

SENIOR European Community diplomats yesterday cleared the way for implementation of free trade agreements between the EC, Poland, Hungary and Czechoslovakia, but asked the European Commission to continue discussions with the Poles about their alleged discrimination in favour of certain EC car imports.

EC objections to Poland's plan to divide its quota of duty-free car imports between General Motors, Fiat and Volkswagen - and impose a duty on other EC car imports - had threatened to delay implementation of the agreements on March 1.

But diplomats agreed yesterday to freeze the relevant clauses of the agreement with Poland until the dispute was resolved. In effect, this will mean that trade in cars can continue, but neither side will introduce a duty-free quota system until the Commission and the Polish government have found a solution.

France raised last-minute objections to Poland's plans at Tuesday's meeting of EC internal market ministers. An EC official said Greece had dropped its threat to block the agreements with Czechoslovakia and Hungary.

INTERNATIONAL NEWS

Kevin Brown assesses the Australian PM's economic statement; **Emilia Tagaza** looks at its effect on three sectors

Keating plays for make or break

MR PAUL Keating, the Australian prime minister, was in buoyant form in parliament yesterday as he delivered an economic statement which, on his own admission, will make or break his government.

For the first time since December, when he defeated Mr Bob Hawke in a bitter battle for the Labor leadership, Mr Keating showed the fighting spirit which won him the job.

Throwing caution to the wind, he unveiled a wide-ranging package which he claimed would boost growth in gross domestic product from zero this year to nearly 5 per cent in 1992-93.

In typical Keating style, the package offers A$8.6bn (£3.7bn) in personal tax cuts from 1994, showing that it is aimed not only at resuscitating Labor's fading hopes of winning the next election in 1993, but at laying the groundwork for a further win in 1996.

Roars of support from Labor's back benches showed that Mr Keating had achieved his first objective – to heal the wounds of the leadership battle and unify the divided party around his leadership.

Early reactions from outside parliament also suggested that the statement had succeeded in generating hope of relief from the recession which has battered the economy for the last two years.

However, the prime minister knows that he will have to do much more if he is to close a yawning opinion poll gap between Labor and the opposition Liberal/National Party coalition before July 1993, the last possible date for the election.

What is most important, he must convince the financial markets and overseas investors that the statement is not, as some economists fear, a pro-cyclical stimulus which will overheat the economy.

Over the longer term, he will also need to convince the electorate that the statement contains a vision for Australia's future which builds on the more open society Labor has created since the party returned to power in 1983.

The key element of the statement is a A$2.3bn injection of public money into the economy over the next 16 months in an attempt to promote business activity and pull down the unemployment rate from 10.3 per cent.

Much of the injection will come in the form of badly needed infrastructure spending on inefficient roads, railways, airport facilities and a major expansion of vocational training. However, the biggest headlines will probably be generated by a one-off payment of A$300m to consumers through the family allowance system, combined with a cut in the price of new cars.

The initiatives are intended to give an immediate fillip to the economy, but critics said they looked suspiciously like a pay-off to families hit by the recession Mr Keating once promised would never happen.

If the strategy works, the government calculates that GDP will recover from stagnation in the current year to 4.75 per cent in 1992-93, which it hopes will reduce unemployment to 9.5 per cent.

The strain would be taken by the federal government budget deficit, which would increase from a projected A$6.8bn this year to A$8bn; the current account deficit, forecast to rise from 3.75 cent of GDP to 4.25 per cent; and inflation, forecast to rise from 1.5 per cent to 4 per cent.

Much will depend on the reliability of the Treasury forecasters, who have generally painted a woefully inaccurate picture of the economy over the past two years. The opposition was already claiming last night that many of the assumptions in the statement were over-optimistic.

The government is also laying great stress on a renewed deal with the Australian Council of Trade Unions, which has pledged to restrain pay claims to a level which would keep inflation in line with Australia's main trading partners.

Mr Keating, a close political associate of Mr Bill Kelty, the ACTU secretary, was confident that the unions would keep their part of the bargain, in spite of pressure from rank-and-file members for real increases in wages after several years of restraint. However, the government is also proposing to restructure the industrial relations system to encourage workplace bargaining, which will increase the difficulty of maintaining central control over wage outcomes.

In the longer term, Mr Keating promises cuts in personal taxes worth A$3.4bn in 1994-95 and A$5.2bn in 1995-96, together with a package of measures designed to increase private sector investment.

These include provisions for accelerated depreciation, tax-free bonds for infrastructure projects, fast tracking of environmental and Aboriginal heritage planning procedures for the mining industry, and more generous tax treatment of bad debt provisions to encourage banks to allow businesses to trade through their problems.

Public sector infrastructure investment will include the establishment of a Brisbane-to-Perth standard-gauge railway link, upgrading of several East Coast highways, and common-user terminals at several overcrowded airports.

The statement also sets out to increase the efficiency of the economy by relaxing restrictions on foreign investment, completing the deregulation of the aviation market, and allowing more foreign banks to enter Australia.

The statement says the package will stimulate average GDP growth of 4 per cent in the next four years, cutting unemployment to 7.75 per cent by mid-1996, when inflation and the current account deficit are forecast to decline.

However, economists said the longer-term projections were little more than guesswork based on the hope that imports would not increase in line with exports. Some said it was hard to understand the government's contention that the budget finances will be transformed from a deficit of A$8bn next year to a surplus of A$2bn in 1995-96.

AUSTRALIAN ECONOMIC STATEMENT

KEY ANNOUNCEMENTS	COST (A$m)	PERIOD
Rail	498	2 years
Roads	600	2 years
National electricity grid	100	
Accelerated depreciation	490	3 years
Infrastructure bonds	50	
Personal tax cuts	3400	in 1994-95
	5200	in 1995-96
Financial help for farmers	19	
Vocational education	720	3 years
Employment programmes	100	

RESTRICTIONS LIFTED ON FOREIGN BANKS

FOREIGN banks are being given virtually free rein to set up branches or subsidiaries in Australia, and buy into the smaller domestic trading banks.

The move is part of a sweeping banking reform including changes to the treatment of non-bank financial institutions and to the tax treatment of banks' bad debts.

The lifting of curbs on the number of foreign banks is a follow-on to the government's 1985 deregulatory push, which allowed entry to only 15 foreign banks. Under the 1985 policy, licences were granted only to foreign bank subsidiaries.

Mr Paul Keating, the prime minister, said the rationale for limiting the number had lost its force. He expected foreign banks to raise the efficiency of the Australian financial system by providing competition, especially in business lending and in credit risk assessment.

Under changes to be introduced in the Banking Act, foreign branches' activities will be confined to wholesale banking. Retail banking will be allowed in locally-incorporated subsidiaries. Foreign branches will not have to maintain "endowed capital" in Australia, nor be subject to the Reserve Bank's limits on capital-based exposure. But they will still be subject to Reserve Bank liquidity and prudential requirements.

To put more foreign institutions under Reserve Bank control, exemptions enjoyed by money market companies calling themselves merchant banks will be revoked. Under present rules, merchant banks are outside the Reserve Bank's prudential control. About 90 foreign institutions conduct banking or quasi-banking businesses, of which 17 operate as authorised banks. Over 50 operate as merchant banks.

MINING WINS SUBSTANTIAL CONCESSIONS

SUBSTANTIAL concessions were offered to the mining industry in an attempt to boost flagging exploration and development.

The economic statement, delivered by Mr Paul Keating, the prime minister, announced abolition of the 50 per cent Australia equity requirement for new mines, and of the economic benefits test for acquiring existing mines.

The government also increased the threshold of foreign investment screening to A$50m (£21.4m). The new threshold applies to all mining proposals except uranium, where the limit of three mines continues. Foreign investment proposals of less than A$50m, including those in the mining sector, would be automatically approved unless the project were judged against the national interest.

In considering whether a mining proposal was against the national interest, the government would give weight to downstream opportunities and value-added processing. Mr Keating announced removal of export controls on iron ore and the introduction of "life of mine" approval for mineral sands projects.

The statement addressed problems for mining arising from the Aboriginal Heritage Protection Act, used to stop or delay projects. The government is to act immediately to streamline procedures for assessing heritage concerns at local, state and federal level.

WAY PAVED FOR FREE-FOR-ALL AIR MARKET

MR KEATING'S statement has paved the way for a free-for-all market for Australian and New Zealand domestic and international airlines.

It removes curbs on equity investment among Australian airlines, letting Qantas, the international carrier, buy into Australian Airlines and other domestic carriers, and the domestic airlines buy into Qantas.

Qantas will be allowed to carry domestic passengers while the established domestic airlines will be allowed to fly international routes.

Domestic airline deregulation began in late 1990, when the government revoked the two-airline policy confining the market to Australian Airlines and Ansett. It now aims at a single aviation market between Australia and New Zealand by 1994, with each country's airlines having full access to the other's market.

Mr Keating said Wellington had assured Canberra that full integration in aviation would be a priority. It was recognised both markets were relatively small, with scope for the industry to reorganise.

S African parties back safeguards for minorities

By Patti Waldmeir in Cape Town

SOUTH AFRICAN political parties have agreed in principle to include protection for minorities in a new constitution, one of the most sensitive issues in multi-party democracy talks.

The parties, meeting in the forum known as the Convention For a Democratic South Africa (Codesa), have yet to discuss detailed proposals for protecting minorities, a bottom-line demand of the National Party government before any deal on a post-apartheid constitution. Working out a final plan will take time.

But government ministers yesterday welcomed the fact that the Codesa working group charged with drawing up constitutional principles had agreed that "meaningful participation by political minorities" should be one of them. That phrase is National party shorthand for protection of minorities, mainly whites.

Yesterday, the party released details of its proposals on this issue. Mr Tertius Delport, deputy constitutional development minister, said mere representation for minorities – for example, a white block of seats in parliament – would not guarantee "meaningful participation", since that block would be outvoted by the majority. The National Party's plan relies on the principle of consensus decision-making, with minorities given a disproportionately large say in government policy at central, regional and local government levels, with maximum devolution of power.

The National Party said yesterday that normal liberal democratic protections such as a bill of rights, an independent judiciary and mechanisms to prevent abuse of power were insufficient to prevent domination in South Africa's racially and culturally diverse society.

It cited Belgium, where the cabinet includes an equal number of French- and Dutch-speaking ministers (apart from the prime minister), and where a principle of parity applies in other government structures down to local level. The statement insisted such protections should be entrenched in a constitution; the African National Congress says coalition government must develop naturally.

Mr Roelf Meyer, defence minister, sought to reassure whites that government would not surrender control of police or army during transition from white rule, though joint control could be implemented if passed by parliament. Black township violence and rising crime in white areas are likely to be central to the right-wing Conservative Party's campaign for a vote against political reform in the referendum.

● The neo-Nazi Afrikaner Resistance Movement (AWB) has reversed its decision to boycott the March 17 referendum and has joined the Conservative Party's campaign for a "no" vote.

South Africa, making their first appearance in cricket's World Cup after 21 years of international isolation because of apartheid, won a famous victory in Sydney beating Australia by nine wickets after the home side made 170 for nine. A crowd of 45,000 saw Wessel Cronje, left, leaping over the stumps after Australian opening batsman David Boon had been run out for 27.

Egypt hoists 'full up' signs as tourists come in droves

Tony Walker writes on growing investment in the holidays business

DR FOUAD SULTAN, Egypt's minister of tourism, is a happy man these days. Well he might be, with Cairo's hotels full to overflowing and some $1bn earmarked for investment in the tourism sector.

If Dr Sultan has a worry it is that Egypt's tourism infrastructure will not be able to cope with tourist numbers this Easter. He confidently predicts that receipts in 1991-92 will exceed the $3bn earned from tourism in 1989-90 before the Gulf crisis.

In 1989, the peak year, some 2.8m visitors came to Egypt, compared with about 2m in 1990, and a similar figure last year. This does not include domestic tourism which Dr Sultan estimates adds one-third to receipts, making the sector easily Egypt's largest money-earner, ahead of workers' remittances, oil and Suez Canal dues.

All this activity is attracting new investors. The tourism sector together with the oil industry has become Egypt's biggest magnet for investment in new projects, including the refurbishment and enlargement of existing hotels.

Dr Sultan, who hardly disguises his impatience with the government's faltering steps towards de-nationalisation, sees tourism as a model for new private sector investment, and for the beginning of a divestiture programme of state-owned businesses.

When he was appointed minister six years ago, Dr Sultan began leasing some of Egypt's government-owned grand historic hotels to private companies which were obliged to spend money re-furbishing seedy relics such as the Cataracts Hotel at Aswan.

In 1990, the minister moved on to the second phase of his plan which is to begin selling off hotels to private investors, provided they undertake to enlarge hotel capacity to make better use of prime sites. Thus the Meridien Hotel on the Nile was sold to Saudi investors who plan to increase the hotel's capacity to about 1,000 rooms from the present 260 at a cost of some $250m.

Dr Sultan's planned third phase is to begin offering clusters of government-owned hotels, which are good money-earners but are what he describes as "mature properties" and not suitable for further expansion, to local institutional and smaller investors who would be guaranteed an immediate return.

He sees this as way of helping to encourage a revival of public confidence in the equity markets and to "build awareness of the value of privatisation". Finally, he wants to offer for public sale, state institutions such as Misr Travel which is involved in a range of tourism activities, but he says such a step will be "a little way down the track".

The minister has also identified four main areas for development outside the population centres of Cairo, Alexandria, Luxor and Aswan.

These are the Red Sea coast south of Hurghada; Sharm el-Sheikh and Dahab in Sinai; and Egypt's oases in the Western Desert towards the Libyan border.

Among the more ambitious planned projects on the Red Sea coast is one being promoted by the Abu Soma Development Company which is proposing to transform 10m sq metres of barren Ras Abu Soma headland into a tourism centre with 12-15 hotels, a golf course and several marinas.

Dr Farid Saad, chairman of the Cairo-based Egyptian Finance Company (EFC), which is behind the Abu Soma development, hopes that work will begin this year on two hotels at a cost of about $50m. The virgin site is some 40km south of Hurghada.

Dr Saad is also the moving force behind the creation of an investment fund specialising in tourism, to be called the Egyptian Tourism Investment Company. Initial capital of LE53m ($16.1m) would come from debt/equity swaps.

Dr Saad has been wrestling with the government over the rate at which debt/equity swaps will be permitted, but pending approval he has already identified several new projects, including a hotel development in Luxor.

Dr Sultan's recent success in persuading the government to prevent oil exploration encroaching on prime tourist sites in the Red Sea, south of Hurghada and in other marine regions, is regarded by environmentalists as promising.

The minister is also planning to use the newly-established Tourism Development Authority, with backing from the World Bank which is offering up to $200m in loans, to help pioneer tourist development in remote areas, especially on the Red Sea coast and in South Sinai. The authority would contribute initial infrastructure support for such projects.

Barring fresh Middle East turbulence, Dr Sultan sees no reason why tourism receipts should not double by the end of the century.

Indian minister under fire over loan letter

By David Housego in New Delhi

DR Manmohan Singh, India's finance minister, saw his political authority severely undermined yesterday when he was forced to disclose to parliament the conditions of a $500m (£285.7m) structural adjustment loan from the World Bank agreed in November.

Dr Singh was forced by the Speaker to disclose the text of the letter setting out the terms of the loan, after two days' battering from the opposition. MPs accused the finance minister of a breach of parliamentary privilege in disclosing to the bank budget policy details that should have first been presented to parliament.

The attack on Dr Singh came on the eve of the budget, due to be go before parliament on Saturday. It raised doubts about his long-term political future and ability to steer his budget through without substantial amendments.

The opposition is likely to seek Dr Singh's resignation on the grounds the letter was "dictated" by the World Bank and the IMF and discussed with them before being presented to the cabinet and MPs.

Mr Chandra Shekhar, the former Prime Minister who himself sought help from the IMF last year, said the letter compromised India's dignity and sovereignty. "The government has no right to continue," he declared. The Indian Express, which leaked details of the letter, was last night set to publish other alleged correspondence between Dr Singh and the institutions.

Mr Narasimha Rao, the prime minister, was expected to back his finance minister. But Mr Rao's position is difficult because of strong opposition to structural change and cuts in government spending within his Congress party.

The letter follows the standard pattern of declarations of policy intent by governments seeking structural adjustment loans. But it spells out more clearly than the government has cared to say so far its policy on issues such as tariff reduction, public sector closures and privatisation.

The letter says the government intends over the next five years to bring down tariffs – India has one of the world's highest tariff regimes – "to rates comparable to other industrialising developing countries". This exercise is expected to begin in this week's budget.

It makes clear that at least 47 public sector companies making losses and employing 310,000 people face closure.

Japan's industry output falls 0.8%

JAPAN'S industrial production for January fell 0.8 per cent from December, allaying fears it had dropped sharply, but signifying the fourth consecutive month of year-on-year decline, Robert Thomson reports from Tokyo.

Officials said the seasonally-adjusted production index stood at 124.8, against a base of 100 for 1985; the shipment index gained 1 per cent from December to 127.6 and the inventory index stayed flat at 124.5. The decline is seen as likely to continue over the next few months, with a 0.7 per cent decrease predicted for February and a 1.3 per cent fall for March.

UK promises to aid Kurds

By Edward Mortimer

BRITAIN promised continued support and protection to the Iraqi Kurds yesterday when Mr John Major, the prime minister, received one of the two main Kurdish leaders at 10, Downing Street.

Mr Massoud Barzani had two main requests on behalf of his people, who currently enjoy de facto autonomy (thanks to the withdrawal of Iraqi government forces from the area after last April's intervention by US, British, French and Dutch troops and aircraft) but are being denied all supplies from the government-held area.

One was for economic development aid, to enable them to rebuild their infrastructure and escape dependence on emergency relief. The other was for an assurance of continued military protection (from allied aircraft across the border in Turkey) until a political solution could be reached.

The current agreement under which allied forces are stationed in south-eastern Turkey expires at the end of June.

Algeria to get $1.5bn loans

By Francis Ghilès

A GROUP of eight international banks, led by Crédit Lyonnais, yesterday completed a $1.5bn commercial bank credit for Algeria after four months of hard negotiations with some of their 130 peers.

The proceeds of this roll-over deal will help ease the repayment over five to eight years of commercial bank loans which carry no guarantees from western governments and which fall due up to March 31, 1993.

The initial agreement with the eight "core" banks reached last October has allowed Algerian banks to defer about $350m worth of principal repayments owed to commercial banks in last quarter, 1991.

The agreement opens the way for the second and smaller disbursement of an Ecu400m ($510m) loan guarantee agreed by the European Community last autumn. It underlines the willingness of leading banks to continue to do business with Algeria after two months which saw cancellation of the second round of the country's first multi-party elections and replacement of President Chadli Bendjedid by Mr Mohamed Boudiaf.

Brussels tries to rescue fisheries agreement with Morocco

By David Gardner in Brussels

THE European Community was yesterday trying to patch up a diplomatic breach with Morocco in time to save a fisheries accord which runs out on Saturday. The difference was caused by January's decision by the European Parliament to vote against Ecu463m (£328m) in loans and grants because of Moroccan human rights abuses and its failure to comply with the United Nations peace plan for Western Sahara.

The fishing agreement, mainly of interest to 700 Spanish and a few Portuguese vessels, had worked smoothly. But after the parliament's veto, Rabat was sufficiently enraged to call into question both the fisheries accord and the co-operation agreement with the EC under which the loan and aid programme was agreed last summer.

Efforts by the European Commission and Council of Ministers to persuade parliament to reconsider failed to get the Moroccan finance package on the agenda at this month's plenary session.

As a consequence, foreign ministers, acting on Spain and Portugal's suggestion, decided last week in Lisbon to explore the possibility of a free trade agreement with Morocco. Mr Vitor Martins, secretary of state for Europe of Portugal, which currently holds the EC presidency, met Mr Abdellatif Filali, the Moroccan foreign minister, yesterday to try to prolong the fisheries deal for at least three months, officials in Brussels said.

The free trade carrot has two tactical virtues to recommend it. First, the suggestion has gone down well in Rabat, officials in Brussels say, where King Hassan has seized on it as a move towards the special relationship he has sought with the EC ever since his application for Community membership in 1987 was rebuffed. Second, by going the free trade route, the Commission and the Council largely circumvent the parliament.

Co-operation agreements must reach a high bar of 260 votes at Strasbourg to get through. But a free trade agreement, although much wider in scope, would at the moment reduce parliament to an advisory role, since it would be routed through the 113 Committee, made up of the member states and the Commission, which decides EC commercial policy.

But some officials regard the free trade idea as little more than a gesture to get the EC over the fisheries accord hurdle by signalling Community willingness to explore a closer relationship with Morocco. Much of the trade between the EC and Morocco is already free anyway, with the conspicuous exception of agriculture, which has about nil chance of becoming so.

Parliament, moreover, will get a big say on free trade agreements once the Maastricht treaty on European union comes into force next year, and there is no hope of concluding a deal by then, even assuming one was being seriously pursued.

But because Spain originated the gesture, officials hope King Hassan will reciprocate by helping out its fishing armada. If its does not, the Commission is preparing a financing package to help the fishing industry through any lay-off period.

Rise in orders fails to lift economy gloom

By George Graham in Washington

US DURABLE goods orders rebounded last month, but the recovery was not enough to eclipse December's sharp plunge and failed to convince financial markets that any sustained economic recovery was under way.

The Department of Commerce said durable goods orders rose 1.5 per cent in January to $119.6bn, following a 5.1 per cent drop in December.

New orders for industrial machinery and equipment gained strongly, climbing 6.3 per cent to $21.1bn.

Orders for transportation equipment rose by 1.2 per cent to $29.4bn – helped especially by the aircraft sector – while electrical and electronic goods orders fell 4.9 per cent to $17.4bn, after four consecutive months on the rise.

The rebound in durable goods orders exceeded private sector economists' forecasts. However, in conjunction with the previous month's marked decline it provided no conclusive evidence of an economic upturn.

Meanwhile, markets remained dazed by Tuesday's dramatic plunge in consumer confidence.

The Conference Board, a New York-based business consultancy, announced then that its consumer confidence index had fallen for the fifth month in succession – to its lowest level since 1974.

"Recovery in manufacturing is still several months away," said Mr Ed Yardeni, economist at brokers C. J. Lawrence.

However, Mr Nicholas Brady, treasury secretary, said yesterday that the drop in consumer confidence was driven by politics, and that he saw signs of an upturn in the economy.

If the volatile defence sector is excluded, durable goods orders showed a stronger gain in January, rising 3.6 per cent.

However, economists noted that the backlog of unfilled orders fell by 0.3 per cent in January to a level 3.7 per cent lower than a year ago.

This has undermined hopes that a recovery could be spurred by industrial orders in the pipeline.

Nato chief 'regrets' Canadian pull-out

MR Manfred Wörner, Nato secretary-general, said yesterday he regretted Canada's decision to bring home its troops from Europe, signalling alliance concern about the weakening of transatlantic links, Reuter reports from Brussels.

Canada's Conservative government announced the pull-out on Tuesday as part of deep budget cuts.

"While I recognise the financial pressures which led to this decision, I have noted it with considerable regret, given the political and military importance of the presence of Canadian forces in Europe," Mr Wörner said.

Britain yesterday also expressed concern at the Canadian move, with the Foreign Office calling it "a sad end to a long and valued Canadian deployment in West Europe. It added: "We note that the withdrawal will be phased over two to three years and we hope that this may give time [for Canada] to reconsider."

Canada had previously planned to leave a residual force of 1,100 men in Europe after 1994 while bringing home the remainder. Some home-based forces will remain earmarked for deployment to Europe in case of crisis.

Plight of the Pehuenches stirs Chile's conscience

Leslie Crawford on the national debate over Indian rights

SOME 22 Pehuenche Indian families face imminent eviction from their ancestral lands in the southern Andes unless the Chilean government provides enough money to buy the title deeds from the landowners of the Quinquen valley.

In any other year, the incident would not even make a footnote to the long history of dispossession suffered by America's native peoples. But this is 1992, and the issue of Indian rights is enjoying unprecedented exposure 500 years after Columbus stumbled across the New Continent.

The Pehuenches of Quinquen have become a cause célèbre in Chile. Every politician worth his salt has made the trek up the remote highland valley to express solidarity with their plight. The negotiations over their future have robbed three top government ministers of their summer holidays. And the landowners, who obtained an eviction order from the Supreme Court against 150 "illegal squatters", are being grilled by the press.

The title holders, a company of local businessmen called Sociedad Galletue, hold another weapon besides the Supreme Court mandate: they know President Patricio Aylwin's government will not dare expropriate their property for fear of raising the spectre of the mass land seizures that traumatised Chile's land-owning class during the Allende years.

Sociedad Galletue has therefore held out while the government has progressively increased its bid. Ironically, the latest offer of $5m for 37,000 hectares of non-arable land is probably more than all the governments of Chile have ever spent on their indigenous population.

The government has been drawn into the conflict because of the growing militancy of Chile's 500,000 Mapuches, the tribe to which the Pehuenche clan belongs. Late last year, Mapuche groups decided to end more than a century of land-poaching by white settlers. They invaded a dozen farms in the scenic Lake District, claiming back land that had historically belonged to their unprotected Indian reservations.

The land occupations were shortlived; many Mapuches were thrown into jail. But their actions succeeded in sparking a national debate over Chile's forgotten Indians.

The government plans legislation to protect Indian rights and establish a "land-fund" to purchase some of the territory the Mapuches have lost this century, but time is running out for the Pehuenches.

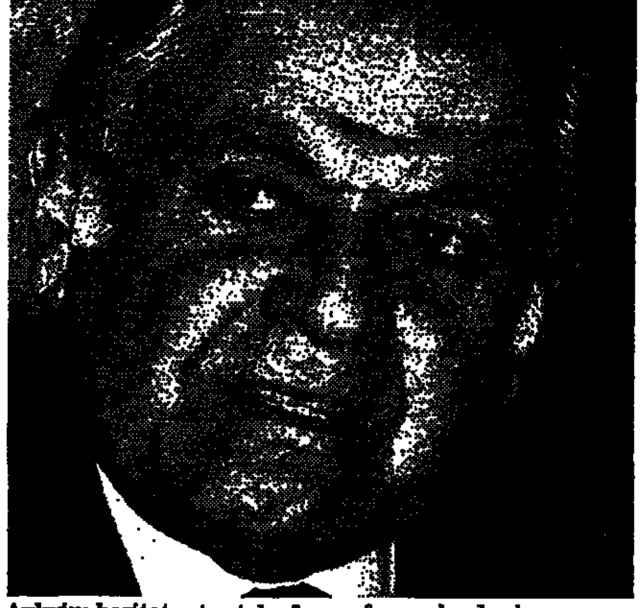
Chile's right-wing opposition has dismissed the government's project as a "fashionable international bandwagon" and Sociedad Galletue says it will enforce the eviction order on March 3 unless the government pays $10m for the disputed valley. Mr Edgardo Boeninger, President Aylwin's chief-of-staff, admitted that negotiations remained deadlocked last week.

The Pehuenches are living in constant fear of a surprise raid and have posted hilltop lookouts to warn of the arrival of Carabineros. These are Chile's paramilitary police, which have repaired the mountain track leading to the Quinquen valley to assist the fast deployment of troops.

"Quinquen", in the native Mapudungun language, means "refuge", a name that underscores the Pehuenches' mystical connection to their land, which they hold in common as an integral part of their religion and culture. So it is not surprising that the Indian families have declined a government offer to relocate them in a nearby valley. "Our land is not a negotiable issue," said a Pehuenche mother last week. "We cannot cultivate our traditions in a flower pot."

The Pehuenches' lives revolve around the collection of the pine nut of the Araucaria (monkey puzzle tree), which is roasted or ground into flour for bread. Sociedad Galletue also lived off the Araucaria, chopping it down for timber until a government decree in 1990 declared the millenary tree a protected species and banned its exploitation.

Environmentalists claim Sociedad Galletue is seeking the eviction of the Pehuenches out of spite for having lost its main source of income. One owner, Mr Gonzalo Lledo, came near to suggesting as much in a recent press interview: "The government need only revoke the decree that bans the exploitation of the Araucaria and the Pehuenches could live there for free."



Aylwin: hesitates to stoke fears of mass land seizures

Rio business protests at rising crime

By Christina Lamb in Rio de Janeiro

THOUSANDS of Rio's hoteliers, shopkeepers, businessmen and tourist agents held a demonstration along Copacabana beach yesterday to protest against the resort's increasing violence, which, they say, is destroying its tourist industry.

Since 1987, the number of tourists visiting Brazil has plummetted from almost 2m to 800,000, largely because of Rio's spiralling crime rate. As a result, Rio has suffered an estimated $400m loss in revenue, according to Mr Ronaldo Monterosa, president of Embratur, the Brazilian tourist authority.

"Over the last five years we have watched tourism collapse," said Mr Philip Carruthers, general manager of the Copacabana Palace hotel and president of the Association of Hoteliers.

"Occupancy of five-star hotels in peak months has fallen from 97 per cent to 63 per cent. The main reason is Rio's appalling image, which is based on a fundamental reality – complete lack of security."

He complained that his hotel staff have to prevent guests leaving the hotel with cameras, jewellery or watches because of the "complete ineffectiveness" of the police. "The police here are part of the problem rather than the solution."

Immediately after the press conference, two journalists were stopped at knifepoint near the hotel and opposite a police cabin.

Mr Paulo Protasio, head of Rio's Chamber of Commerce, said "we need to mobilise Rio's taxpayers to see that this constant drop in tourism, which is the state's principal economic activity, is jeopardising everyone's jobs." He said the aim of yesterday's march was to press the state authorities into taking action.

Rio's commercial and tourism associations have presented a plan to the state governor for the creation of a new 1,500-strong bilingual tourist police force which would be well-paid and better motivated.

Mr Protasio pointed out that Rio should be capitalising on the World Environment Conference, which it is hosting in June, to present a new image.

Pérez seeks broader base in reshuffle

By Joe Mann in Caracas

VENEZUELA'S President Carlos Andrés Pérez has used this week's cabinet reshuffle to achieve a stronger political base, more support from his own Democratic Action party, and a tougher image on crime and corruption.

The changes, carried out late on Tuesday, represent an effort to recapture the political initiative following the failed military coup of three weeks ago. However, they do not signal an economic policy shift.

The President named Mr Carmelo Lauria, an important official in two previous governments, to the key post of interior minister; Mr Ricardo Hausmann to the ministry of planning; Mrs Arminda Quintana to the justice ministry and Mr Celestino Armas, formerly minister of energy and mines, to the ministry of the presidential secretariat. The Venezuelan press said other changes would be announced soon.

The most important change in the economic sector was the moving of Mr Miguel Rodriguez from the ministry of planning to the presidency of the central bank.

Mr Rodriguez, 39, has been a leading architect of economic reform and one of the most powerful figures in the government. He is expected to devote much time to fighting inflation.

Mr Rodriguez has declared he is in favour of regular mini-devaluations of the Venezuelan bolivar, and is also said to favour strong banking reform. He replaced Mr Pedro Tinoco, who announced his resignation last week.

The appointment of Mr Lauria, who offers a rare combination of broad experience in the public and private sectors, reflects the president's desire to control one of the country's most sensitive problems: violent crime.

Figures from the two main opposition political parties refused Mr Pérez's invitation to join the cabinet. However, Mr Pérez yesterday established a new presidential consulting committee to provide advice on key national problems. The panel is made up of prominent individuals from the private sector and the opposition.

An announcement on the energy and mines portfolio is expected soon.

UK and Argentina open talks on Falklands' oil

BRITAIN and Argentina yesterday began discussions in Buenos Aires on developing oil resources in the South Atlantic, writes John Barham from Buenos Aires.

The talks, expected to last two to three days, are the first formal negotiations on the most challenging and complex issue facing the two sides, apart from the central question of sovereignty over the Falkland Islands.

It has long been rumoured that the seabed around the islands holds large oil reserves. However, there has been no exploration in the region since an inconclusive survey in the 1970s.

Last year, London authorised the local Falkland Islands government to issue seismic exploration licences, bringing the fraught issue of oil resources to the fore.

If oil is found in commercial quantities around the islands, co-operation with Argentina would be essential to develop the reserves. Major gasfields have been found in Argentine waters between Tierra del-Fuego and the Falklands, but, so far, little oil has been found.

Although both sides will use this week's talks to set out their points of view, issues such as harmonisation of legislation, law enforcement, taxation, environmental policies and the demarcation of zones are yet to be addressed. Inevitably, they will touch either directly or indirectly on the sensitive issue of sovereignty.

The islands' councillors have yet to pass any oil legislation. Their laws will depend on the outcome of the talks with Buenos Aires. However, Argentina does not recognise the Falklands' local government.

Heseltine warns of fuel duty

By John Hunt and Ralph Atkins

MR MICHAEL Heseltine, environment secretary, yesterday warned that the cost of using a car may have to rise in a speech signalling an increased government concern at the pressure on road use.

Marking a further significant switch away from Mrs Margaret Thatcher's defence of "the great car society", Mr Heseltine added to speculation that he will push for increases in petrol duty to curb growth in car use.

"Public transport will be central to any approach," Mr Heseltine said. "We simply cannot provide for growing numbers of cars within our urban areas."

Speaking to a seminar in London organised by five transport institutions, he said traffic growth had reached a point where it was no longer possible to provide new roads into urban centres.

His comments came amid pressure on the Treasury from some Tory MPs for increases in petrol duty in the Budget to help fund the expected income tax cuts. But an equally vociferous lobby of Conservative MPs, particularly from crucial Midlands' marginals, are calling for extra help for Britain's depressed car industry.

Italian media magnate to bid for Channel 5

By Raymond Snoddy

MR SILVIO Berlusconi, the Italian media magnate, has decided to make a bid for the new Channel 5 commercial television franchise in the UK designed to compete directly with ITV.

The controversial Italian entrepreneur who owns supermarket chains and publishing houses as well as the AC Milan football club would, if successful, be the first foreigner to operate a British television channel.

Mr Berlusconi is the dominant figure in Italian commercial television after building up national networks by linking local stations with videotapes delivered by motorbike. Apart from Italy he has stakes in German, French and Spanish television. A move into the UK has been planned for some time to "complete the design".

Mr Berlusconi's main group, Fininvest, will lead a consortium to bid for the channel which is expected to be put out for tender in the next two months.

The aim is to broadcast a national channel of high quality entertainment aimed directly at ITV, Britain's main commercial television channel. The plan is to spend several hundred million pounds on programmes from the outset to try to make an immediate impression in the market.

Fininvest has already linked up with Channel X, the independent production company run by Mr Mike Bolland, former deputy director of programmes at Channel 4. Channel X had been seen as a bidder in its own right.

Channel 5, which will be awarded by competitive tender, is expected to reach around 75 per cent of the population using conventional transmitters. The winner will have to pay for transmitters and retuning several million video recorders likely to suffer interference from the Channel 5 signal.

The rivals for the franchise are likely to be FiveTV a consortium put together by Mr Chris Rowley, former Independent Broadcasting Authority executive, backed by Mr Moses Znaimer's CityTV in Toronto and Channel S, an Edinburgh-based venture led by Mr Justin Dukes, former managing director of Channel 4.

Ashley Ashwood

Major, with Olympic campaigners Graham Stringer and Bob Scott, gives his backing to "this prize for Manchester"

Major backs Manchester's Olympic bid

THE GOVERNMENT is to give £55m towards Manchester's bid to stage the Olympic Games in the year 2000. If the bid succeeds, the government will provide up to £360m over the next eight years to underpin a £1bn building programme, writes Ian Hamilton Fazey and Bethan Hutton.

The International Olympic Committee will choose the 2000 host next year. Manchester's competition is expected to come from Brasilia, Sydney, Beijing, Milan and Berlin.

Manchester would have had little chance without strong government support, a lesson learned from its bid for the 1996 games, when the government was half-hearted and Manchester came fifth out of six contenders. Atlanta won.

Yesterday's decision represents a significant change in government policy towards sport. This has been helped by the fact that Mr John Major, the prime minister, and several Cabinet colleagues are sports fans, but the presence in north-west England of more than 20 Conservative marginal parliamentary seats has almost certainly been a factor.

The benefit of staging the games has already been estimated by independent economists at about [illegible].

The decision followed lobbying by a team led by the Duke of Westminster, Mr Bob Scott, the Manchester theatrical impresario, and Mr Graham Stringer, Labour leader of Manchester city council.

Background, [illegible]

Wakeham tries to limit power prices

By Deborah Hargreaves and Juliet Sychrava

MR JOHN Wakeham, secretary of state for energy, has intervened in commercial negotiations between power companies in a bid to limit sensitive price increases in the run-up to a general election.

Mr Wakeham has told British Gas and Nuclear Electric they must keep prices down as the government makes a pre-election bid to convince industry that its power privatisation initiatives are bringing benefits to consumers.

This follows the government's insistence that price decisions must be left to the free market and its assertions that British Coal must be left to fend for itself in the market before it is privatised.

"Politicians are running around trying to keep the lid on things before the election," one power industry figure said yesterday.

At the same time, Mr Wakeham has stepped into discussions between British Gas and the Office of Fair Trading over halving British Gas' share of the industrial gas market by 1995. Mr Wakeham's move comes just before British Gas's announcement today of an expected rise in profits to around £1.3bn from £1.2bn last year.

BRITAIN IN BRIEF

Government may introduce fraud offence

The government is considering changes to the legal system by introducing a simply defined offence of fraud into English law as part of an effort to solve the problems of complex trials.

The Scottish legal system could provide a model for any changes. In Scotland, a charge of fraud may be brought under common law and does not need to be allied to a particular statute as it does at present in England.

The government has been under extreme pressure in recent weeks to come up with a cheaper and quicker way of dealing with allegations of serious fraud. This follows criticism of the handling of a string of high profile City trials concluded earlier this month.

Mergers likely in EC banking

Mr Jürgen Lemmer, deputy member of the board of managing directors of Commerzbank, believes a wave of mergers is likely to sweep through the banking and insurance sectors of several European countries with the onset of the Single European Market.

He told a Financial Times conference in London on international banking that mergers in Spain, the Netherlands, Austria, and Scandinavia had already changed the list of the biggest banks in those countries. This would soon be the case in Italy too, and there were signs of mergers between the public-sector *Landesbanks* in Germany.

He said attempts by banks in some countries to rely on financial support from the state were hardly in keeping with the European Community's principles of competition.

Labour fears stop terminal

Fears that a Labour government would ban or limit coal imports to protect British Coal prompted PowerGen to seek the delay in developing Britain's biggest coal terminal, which led to the unexpected cancellation of the project.

The terminal, at Immingham on the Humber, would have been capable of handling 12m tonnes of foreign coal a year, threatening the jobs of miners in Yorkshire and Nottinghamshire.

Associated British Ports (ABP), which was leading the project said it had cancelled because PowerGen had already delayed for too long.

High bids for soccer coverage

Companies will have to bid at least £950,000 to secure exclusive sponsorship rights to UK commercial television coverage of the European Football Championships. The sponsorship committee of the Independent Television Association is announcing the decision today as an experiment in changing the manner of attracting TV sponsors. The ITV network is providing 26 hours of coverage of the championship, which takes place in Sweden between June 10 and 26.

Lender begins rescue scheme

Abbey National, the retail banking group which is the UK's second largest mortgage lender, has launched a £60m mortgage rescue scheme aimed at saving customers from eviction. It will buy the homes of customers who have jobs but are seriously in arrears.

Water industry to spend £30bn

The water industry is expected to spend £30bn during the next 10 years providing construction companies, civil engineers and process plant manufacturers with their biggest bonanza since the development of North Sea Oil, according to a report published today by the National Economic Development Council (NEDC).

The water industry is one of the few areas of construction where investment is increasing, according to contractors which are suffering badly as a result of falling demand for commercial, industrial and residential property.

BTG bidder ruled ineligible

The government has ruled out one of the three short-listed bidders for the British Technology Group.

Technology Marketing Corporation, a company formed to bid for BTG by Strategy International, a London-based consultancy, was told its bid was too low. It is believed to have offered only about £13m for the state-owned technology transfer organisation.

Study overturns debt perception

A newly published study on consumer debt challenges the popular perception that financial difficulties were caused by high spending lifestyles and reckless borrowing.

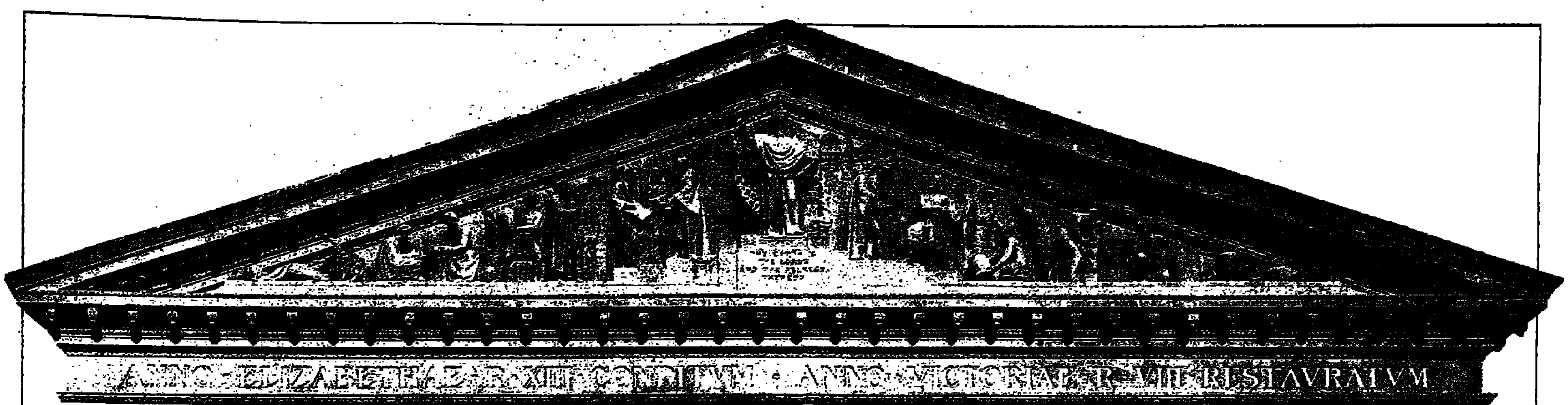
Ms Elaine Kempson, who with Mr Richard Berthoud produced the report for the Policy Studies Institute, said the main causes of bad debt problems were changes in circumstances such as the divorce, unemployment or the failure of a small business.

EC regional aid approved

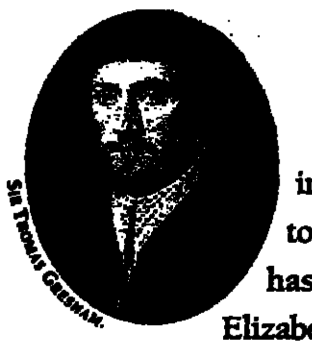
The European Commission has formally approved a multi-million pound aid package for Britain's coal-mining regions. The £124.2m package had been blocked by the Commission pending government guarantees the cash was being properly used.

Construction orders rise

UK construction orders rose slightly during the final three months of last year thanks to a strong performance from public sector housing and housing associations and from public works such as road building, according to the Environment Department.



The Bank of England next door, the International Stock Exchange nearby, Royalty popping in. It's hardly an average office block.



Sir Thomas Gresham.

It may seem a contradiction in terms, but one of the most up to date office blocks in London has a history dating back to Elizabethan times.

The Royal Exchange building has just been re-opened following massive modernisation and refurbishment that has taken three years and more than £37 million to complete.

The result is over 40,000 square feet of prime office space offering every conceivable modern business facility, on surprisingly advantageous terms. Yet it's housed in a magnificent historical building, oozing with tradition.

From the Elizabethans to the computer age.

The first Royal Exchange was built by Thomas Gresham in the 1560's. As legend has it, Thomas (later to become 'Sir' Thomas) Gresham tired of conducting business in the open under London's showers. And not having a brolly handy, he offered to build a large covered market at his own expense: His inspiration; the Great Bourse of Antwerp. Gresham's building was topped off by his family crest, a golden grasshopper, in the form of a weathervane. (Today's weathervane is possibly the very same one.)

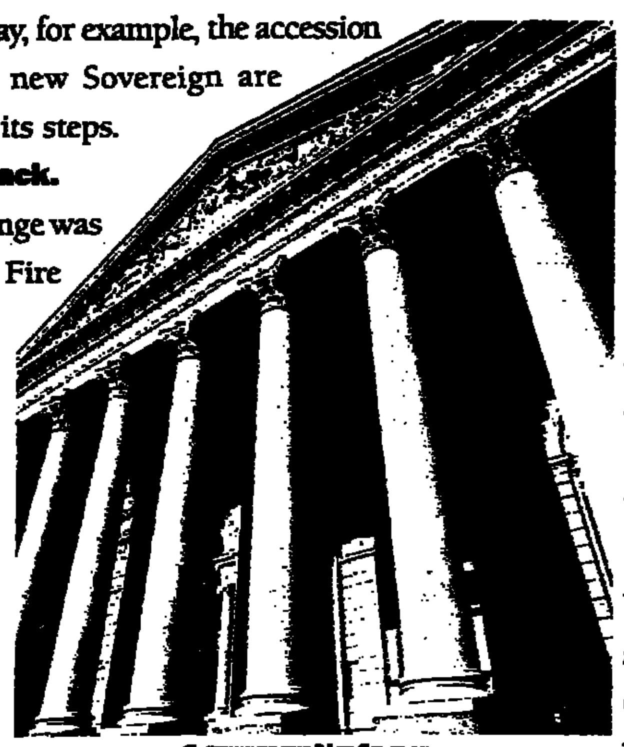
The Royal Exchange stands at the heart of the City.

In January 1571 Queen Elizabeth 1st proclaimed that 'Gresham's Bourse' should be known as the Royal Exchange. It was an instant commercial success and has retained close links with Royalty ever since. Today, for example, the accession and coronation of a new Sovereign are still announced from its steps.

A slight setback.

Gresham's Exchange was destroyed in the Great Fire of London in 1666.

But within three years, a new building emerged phoenix-like from the ashes. This design, influenced by Sir Christopher Wren, but drawn up by Edward Jarman, lasted until 1838. Then it too went up in smoke. But you can't keep a good building down. And in 1842 Prince Albert laid the foundations of William Tite's design for the next one.

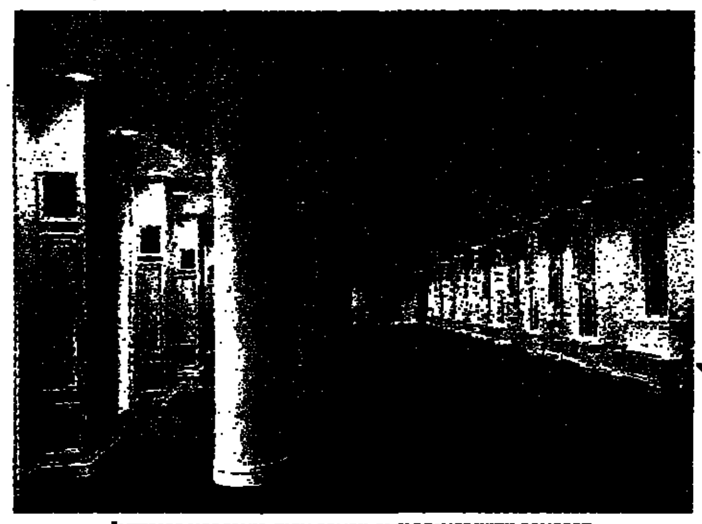


Gateway to the 21st Century.

When in the City, do as the Romans do.

Tite's building was larger and was adorned with a magnificent west facing portico, modelled on the Pantheon in Rome. As splendid an example of early Victorian architecture as you're ever likely to find, the third Royal Exchange was opened in 1844 by an equally splendid Victorian Queen.

Proceedings are overseen by Gresham's grasshopper crest.



Interior modernisation combines elegance with comfort.

And like its predecessors it thrived, both as a centre for international trade and as a focal point for City life.

A roof was added over the courtyard in 1883 but apart from that the building stood, shaken a little in World War II, but not disturbed until 1987.

Then the cat was placed among London's pigeons. It was decided to redevelop the Royal Exchange.

An Exchange for the future.

After much deliberation, a plan was chosen that allowed for the addition of two completely new floors and full modernisation of the interior.

Structural alterations were designed to harmonise with the existing architecture as if they had always been there.

Air conditioning, additional lifts, video security, electrical cabling and facilities for computers, data cabling and satellite communications were all installed.

Everything, in fact, that you would expect to find in a purpose built modern office block.

In October 1991, a full 420 years after the first Queen Elizabeth, Her Majesty Queen Elizabeth II opened what is effectively a completely new Royal Exchange.

Elizabeth 1st opening a 60's office block. (1560's of course)

A most desirable neighbourhood.

While today's building offers every conceivable modern business facility it shares much with its predecessors.

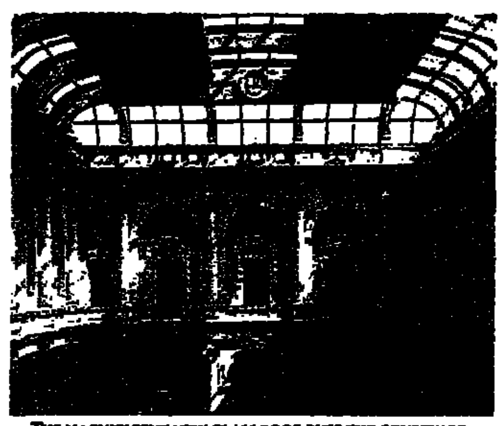
It stands at the heart of the City of London in the so called Square Mile. This has always been a focus for world trade. And today over 450 foreign banks stand within shouting distance.

Over the road is the Bank of England, known as the Old Lady of Threadneedle Street but a neighbour for just 258 years.

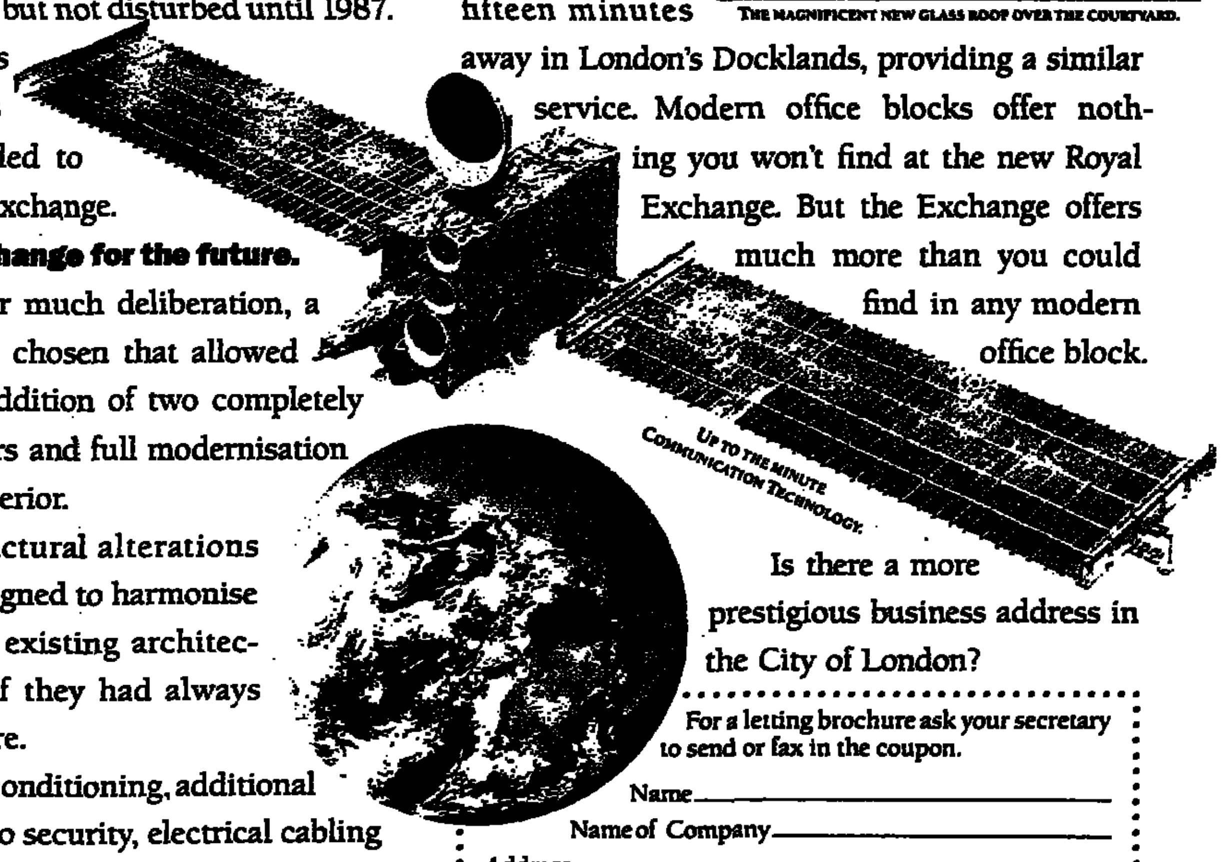
Just along the street is the International Stock Exchange. And next door is Mansion House, the Lord Mayor's official residence.

In days gone by, docks and wharfs along the Thames supplied a steady stream of exotic goods and foreign merchants.

Today, there are three airports including one just fifteen minutes away in London's Docklands, providing a similar service. Modern office blocks offer nothing you won't find at the new Royal Exchange. But the Exchange offers much more than you could find in any modern office block.



The magnificent new glass roof over the courtyard.



Up to the minute communication technology.

Is there a more prestigious business address in the City of London?

For a letting brochure ask your secretary to send or fax in the coupon.

Name__________

Name of Company__________

Address__________

__________ FTE/2

Postcode__________ Telephone__________

The Royal Exchange

London EC3V 3LL, Telephone 071-493 9596 Ext. 5045. Fax 071-629 1515.

NATIONAL INSTITUTE REVIEW

Britain's jobless expected to stay at 2m in 1990s

By Peter Marsh, Economics Staff

THE UK faces more than 300,000 further job losses in the next 22 months, the National Institute of Economic and Social Research said yesterday.

The institute, a leading economic think-tank, says in its quarterly review that the jobless total will increase to 2.92m by the end of next year and stay around 2m for the rest of the decade.

A more cheerful conclusion is that a limited recovery from the recession is likely in the second half of this year, with gross domestic product set to increase 1.3 per cent, after a 2.6 per cent fall last year. The institute expects growth of 2.7 per cent next year.

In its assessment of options in the March 10 Budget the institute advises Mr Norman Lamont, the chancellor of the exchequer, to put a boost for investment ahead of proposals to cut income tax.

Support for companies' capital-spending plans would help UK productivity to catch up with levels overseas. A tax cut would act mainly to stimulate consumer spending, which the institute says would be "not ideal" as a method of speeding the recovery.

The economic revival is likely to be held back by a further fall in investment this year, and by only a limited upturn in the housing market.

The institute believes Mr Lamont will inject £2bn into the economy by taking 1p off the standard income-tax rate. A stimulus of this kind would push the public sector borrowing requirement to £23.2bn in 1992-93, and £21.6bn the following year. In both cases this amounts to about 3.5 per cent of gross domestic product.

Exports are expected to grow by 2.8 per cent this year compared with 1 per cent in 1991, helping growth prospects. Any larger increase in world trade will be prevented by relatively slow world economic expansion. Growth in gross domestic product in the seven biggest industrialised economies - the US, Japan, Germany, Italy, France, Canada and Britain - will be 1.9 per cent in 1992, after 0.9 per cent last year and 2.4 per cent in 1990.

Motor sector productivity closes with German rivals

By Kevin Done, Motor Industry Correspondent

THE productivity gap between the UK and German automotive components industries narrowed during the 1980s according to the National Institute of Economic and Social Research.

Both countries, however, are still lagging far behind the productivity levels of Japanese suppliers, says the report.

During the 1980s UK automotive components suppliers "finally dealt with blatant under-utilisation of capital equipment, but this has not proved to be enough."

The report highlights deficiencies in UK training and education as being underlying causes for low UK productivity.

If the remaining gap between the UK and German industries is to be bridged, "the 1990s needs to become the decade in which Britain grapples with similarly blatant under-utilisation of people's full career potentials."

The report claims that "the critical conclusion, however, is that whilst Britain may still have some lessons to learn from Germany in respect to manufacturing productivity, the much larger and still continuing gap is against Japan."

The question that really needed addressing was "not whether Britain is closing the gap against Germany, but whether either country is closing the gap against Japan."

The mood of Britain

Yesterday **Michael Cassell**'s pre-election tour of Britain visited the birthplace of Thatcherism. Today he goes to the Black Country, the old industrial heart of the Midlands, and moves on to the valleys of South Wales where coal was once king. With a crucial general election possibly less than eight weeks away, and certain before July 9, the impact of 13 years of Tory rule on the regions' key marginal seats could decide the fate of John Major's government

Shedding light on Britain's Black Country

Colin Beere

Where coal was king: Canon Bill Morgan, Merthyr Tydfil's priest, finds tension and anger in the Welsh valleys

WORKERS streaming from the Peugeot-Talbot car plant at Ryton-on-Dunsmore, where the god of higher productivity has just demanded shorter tea-breaks, hear their car radios announce that Britain has the lowest strike rate in Europe.

Listening to the broadcast, Duncan Simpson, divisional organiser for the Amalgamated Engineering Union, says the news is "hardly surprising, given the state the country's in".

Simpson, a union organiser from the era when Chrysler owned the plant and when a show of hands could empty it faster than a fire alarm, does not praise the Tories for their strike record. "What workers are going to stick their necks out now? It doesn't mean its all sweetness and light."

The truce, however, is not just because of the long shadow of unemployment. There is an underlying consensus in the modern world of industrial relations. Simpson concedes: "I don't want to see pre-strike ballots go. They were intended to help the employer but have often strengthened our negotiating position as well. We think more strategically. The law made us.

"The days of wildcat strikes and wildcat management have gone. There is a more disciplined approach to labour relations and better communications all round. That's welcome."

Simpson regards the last decade as generally harmful for a unionised workforce which has shrunk from 12m to 8m. But his views are not shared on the other side of the negotiating table. Tom Cannon praises the 1980s as an era which put trade unions in their place. He is managing director of BSG Group, selling everything from motor cars to airliner lavatory cubicles from its headquarters at Yardley, close to Birmingham's centre.

Like many of the city's businessmen, the 1980s were kind to him. He earns a high salary and lives in desirable Dorridge, a seriously wealthy neighbourhood sprinkled with incongruous Brummie accents.

To Cannon, Mrs Thatcher and her labour laws were unalloyed good news. "She handed back to management the right to manage; she also read the riot act to management, much of which was feudalistic and asked for trouble."

He also believes people's pride in their own abilities has been restored. "They realise the only way to get money is by working for it and not by queueing up at the Post Office counter."

He claims there was far too much easy credit in the 1980s: "Lots got their fingers burned but they've learned the lesson."

Amrik Sahota, chairman of the Institute of Asian Businesses, says not everyone succumbed to the lure of credit. "My members' attitudes towards debt have not changed; few ever contemplate spending more than they can afford."

Sahota believes the 1980s were good for Asian entrepreneurs but he is irritated that the advances made by the Asian business community are underestimated: "People still think of us as just running the corner shop but we have member companies in steel and construction with annual turnovers above £25m."

Meanwhile, at the Punjabi Paradise in Ladypool Road, Sparkbrook – a shabby, unchanging part of Birmingham overlooked by the commercial and artistic renaissance at its core – Don Harriman, an electrician from nearby Shirley, is buying Friday night dinner for his family. "Eating out is part of our life now, even if it's cheap and cheerful."

Harriman says his family have "moved on and up" and he won't be voting Labour because he suspects they might stop him going any further. A lot of people like the Harrimans are doing things they never dreamed about a decade ago.

Shirley Hamilton, for example, runs her own high-tech business at the Aston Science Park. A former Midlands Businesswoman of the Year, she set up the Tech-ni-Plant in 1984, a surface treatment specialist with customers worldwide. She has eight staff, a sporty car and has already enjoyed a Downing Street reception.

Her aspirations are shared by Dr Carl Chinn, Birmingham University's community historian. He spent two years on the dole before picking up his £40-a-week enterprise allowance as a self-employed historian.

He dismisses talk of the "selfish" decade. "If you want to think of owning your own home and car and treating your family to holidays and meals out as selfish, then you can. But it was really a period in which many working class people achieved what had previously been denied them."

He recognises there were many losers. "The eighties will be compared to the thirties. For people in work, they were good but those at the bottom suffered."

Some of that suffering, heightened rather than healed during the last decade, is most obvious a couple of hours driveaway in the Welsh valleys. Here there is a strong sense of alienation. "Mrs Thatcher did for south Wales what Stalin did for Russia," says Graham Davies, a Welsh coalfields community campaigner.

The pits which once warmed the world and employed more than 250,000 men have all but gone. The last lump of coal from the last pit in the Rhondda was mined more than a year ago.

Davies says the people of the valleys had their jobs and confidence removed by "market forces which had no interest in providing something in their place". The sense of waste, he adds, is destructive.

One trade, at least, has a guaranteed following. Canon Bill Morgan, Merthyr Tydfil's new priest, is confident of his future. "I'm alright. Priests are a scarce commodity and there's no shortage of work in places like this".

He likens the current hardships endured by some local people to a family bereavement. "There are high levels of unhappiness, tension, frustration and anger. If I failed to take a bereavement seriously, I would be shown the door. The government can expect the same fate."

Faced with traumatic changes, Morgan says the local authorities have demonstrated all the ingenuity, inventiveness and courageousness which Mrs Thatcher so admired, "but she was hell-bent on clobbering them". Since Mr Major's arrival, he adds, the plight of South Wales has deteriorated further.

But there is rebirth as well as death. Grass is regrowing on the scarred hillsides and the "black diamond" of the Rhondda is again turning green, courtesy of the Welsh Development Agency, which last year helped to attract £860m of inward investment to the country.

Even so, valley towns such as Merthyr Tydfil, where Keir Hardie cut his teeth as the first Labour MP, find it hard to attract the Japanese investors setting up plants on the south Wales coast.

The small towns of Treherbert, Treorchy and Tony-y-Pandy – still packed with miners' cottages, nonconformist chapels and workmen's institutes – are fighting to keep up with change. Here at least, the battle between old and new Britain seems like an unequal struggle.

At the Treherbert discount furniture centre, Alun Parry, a former miner who now drives to work in Cardiff every day, wants to replace the bed he was born in 52 years ago: "The bottom fell out. Bit like this place really. I can buy another bed but can anyone get this place moving again?"

LEGAL NOTICES

No. 0091 of 1992

IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
Mr. Justice Mummery
Monday the 10th day of February 1992
IN THE MATTER OF
VENTURE PLANT GROUP Plc
- and -
IN THE MATTER
OF THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN, that the Order of the High Court of Justice (Chancery Division) dated the 10th day of February 1992 confirming (1) the reduction of the Capital of the above-named Company from £1,266,354.44 to £800,000 and (2) the reduction of the Share Premium Account of the above-named Company by £2,936,537.16 and the Minute approved by the Court showing with respect to the Capital of the Company as altered the several particulars required by the above-mentioned Act were registered by the Registrar of Companies on the 20th day of February 1992.

Dated this 27th day of February 1992.

SPEECHLY BIRCHAM, Bouverie House
154 Fleet Street
London EC4A 2HX
Ref: MRL/MTD/108156/057
Solicitors for the above-named Company

MEETING OF CREDITORS
Pursuant to Sections 98, 99, 100 and 101 of the Insolvency Act 1986
FAWNCRAFT LTD

NOTICE IS HEREBY GIVEN pursuant to Section 98 of The Insolvency Act 1986, that a meeting of the creditors of the above-named Company will be held at Latham Crossley & Davis, 45 Conduit Street, London W1R 9FB, on 28th February 1992 at 12.00 noon for the purposes provided for in Section 98 et seq.

A list of names and addresses of the above Company's Creditors can be inspected at the offices of Latham Crossley & Davis, 45 Conduit Street, London W1R 9FB, between the hours of 10.00 am and 4.00 pm on the two business days preceding the Meeting of Creditors.

Dated this 19th February 1992
Saul Reichstadt, Director

In the matter of Gibraltar Ship Deliveries (Cyprus) Limited
and
In the matter of the Cyprus Companies Law Cap 113

Notice is hereby given that the creditors of the above-named company which is being voluntarily wound up are required on or before the 27th day of March 1992 to send in their full names, their addresses and descriptions, full particulars of their debts or claims and the names and addresses of their solicitors (if any) to the undersigned Mr Antony Haji Roussos FCCA of Julia House, 3 Themistocles Dervis Street, PO Box 1812, Nicosia, Cyprus the liquidator of the said company, and if so required by notice in writing from the said liquidator, are debts or claims at such time and place as shall be specified in such notice, or in default thereof they will be excluded from the benefit of any distribution made before such debts are proved.

Dated this 27th day of February 1992

A Haji Roussos FCCA
Liquidator

COMPANY NOTICES

THE ROYAL BANK OF CANADA
U.S. $350,000,000 Floating Rate
Debentures due 2005

In accordance with the Terms and Conditions of the Debentures, the interest rate for the period 28th February, 1992 to 31st March, 1992 has been fixed at 4½% per annum. On 31st March, 1992 interest of U.S. $3.777777 per U.S. $1,000 nominal amount of the Debentures will be due for payment. The rate of interest for the period commencing 31st March, 1992 will be determined on 27th March, 1992.

Agent Bank and
Principal Paying Agent
ROYAL BANK OF CANADA
EUROPE LIMITED

PERSONAL

Sun Alliance strengthened its relationship with brokers through E-Mail, writes **Claire Gooding** in a series on getting the most out of software

Insurance taken against lost calls

SOFTWARE AT WORK

SUNALLIANCE INTERNATIONAL

COMPANY SNAPSHOT - Sun Alliance was founded in London in 1710 as an insurance company. It now consists of four operating companies, focused on overseas, life, UK, and international business. These are supported by a number of companies dealing with property, information technology and other matters. They come under the care of Sun Alliance Management Services.

Nature of business: Commercial insurance, in such areas as professional indemnity, shipping or any insurance required by a company in the pursuit of its business,

Turnover: £3,4bn (1990) and pre-tax profits of £181m (1990)

TECHNOLOGY FILE

Software: The electronic mail system used is Verimation's Memo, a strong competitor for IBM's own mainframe E-Mail product, introduced at Sun Alliance in 1987.

Hardware: Five large IBM or IBM-compatible mainframes (total processing capacity of 280 Mips) at two sites, running the MVS operating system.

Installation: This can take anything from a couple of weeks to a couple of years to complete, depending on the facilities required.

Communications: A large part of the project has been to link participating brokers, each with its own hardware system, to Sun Alliance's own IBM system.

Software cost: Around £45,000 to implement Verimation for an unlimited number of users. The broker's system involved no extra Memo licensing costs.

Training: SAI sent 12 people on a training course at Lucas Systems to teach them about workflow tools ("intelligent" Memo forms for electronic trading) at a cost of £1,800.

Other systems: IBM's IMS is the principal teleprocessing product used in the Sun Alliance mainframe environment. Cics is used in conjunction with IBM's DB2 database. Most of the group's data is stored on IBM databases.

The insurance business may be conservative, even perceived as boring, but it is highly competitive. It has to be – 1990 was the worst year this century for insurers. Information technology has become a weapon with which to outwit the opposition and defeat the in-house enemy of administrative cost.

This message is at the forefront of Sun Alliance International's (SAI) readiness to discuss its use of electronic mail. It is guarded about details – arising from a belief that its electronic mail project gives it a strong edge over competitors in building relationships with its brokers.

Cost studies made it clear that something had to be done to control the increasing expense of conducting insurance business, for both insurers and brokers. Most commercial insurance is supplied through insurance brokers, such as Sedgwicks, which channels business through local offices to SAI's 10 regional offices.

The traditional method of placing business is based on paper form-filling. Typically, a broker will approach a number of insurance companies with the details of a piece of business, then send the details to a selected few. It can take a minimum of a week, and as long as two weeks to gather the replies and progress the business.

SAI's aim was to speed up the process to make doing business with the company more attractive for brokers. "Our use of IT in the relationship with key customers is part of business development partnerships," explains Alan Waring, electronic marketing manager.

After 12 years in various parts of the Sun Alliance group, Waring joined the marketing and sales department in January 1990, specifically to speed the development of the E-Mail project. Its aims had been defined by a steering group on electronic marketing, a sort of senior management forum which derived its "business" view of the international company from Peter Webster, corporate services manager, and its IT view from Sun Alliance Management Services.

Verimation's Memo electronic mail product had been introduced at SAI in 1987. Initially used for internal messaging, its use had spread throughout the information systems division, and thereafter to the rest of the group.

"Telephone tag curses most people's working day," comments Waring. "The joy of using electronic mail is that you are not restricted to office hours, nor limited to the secretary's hours." He gives an example of one SAI manager who answered an E-Mail message at 1.30 in the morning – from the US. "I wasn't here at the time but the response was waiting for me in the morning."

There were very few rules about how to implement electronic mail at the time that SAI decided to use it to develop closer links with its brokers. But there was a keen awareness of the potential of electronic data interchange, electronic mail, and networking in the industry at large. Much of the initiative came from the brokers themselves.

So, after detailed discussions with brokers, SAI was quick to pick up on the potential of "screen forms" for its marketing project, and agreed to try out the idea with a couple of big customers.

The Verimation Memo forms facility allows each broker to adapt a basic screen format to his own design. The advantage of screen-filling rather than form-filling is speed. According to Waring, it gives the brokers the opportunity to bulk-process routine tasks, such as claims notification, without the usual phone call or posting of forms. "Using E-Mail, they can easily send in all the claims notifications for that day."

At the time of the prototype project, there was a variety of applications on offer from competitors, all aimed at solving the same problem of the increasing cost of handling business. SAI's initial efforts were primarily directed at small premium, high-volume business, controlled by the large brokers who were trying to streamline their operations. Waring's discussions soon broadened to include a bigger section of customers.

A steering committee of 10 people, a mixture of business and senior IT managers, laid down the philosophy and plans of the wider project, and defined that the responsibility for the E-Mail project belonged firmly in marketing. E-Mail was one of a number of applications considered to make dealings more cost-efficient.

The benefits of free-format E-Mail – whereby people send one another notes – are obvious. Such messages are free of postal and typing delays, more reliable, and legible, than fax, and have the facility of making a paper copy, or even "archiving" for records. Used properly, E-Mail can result in a reduction of telephone and postal charges.

With the pre-formatted facilities, the benefits are similar, but there are further time-savings. The technique of filling-in-the-blanks in pre-formatted screens saves time in typing, and makes sure that nothing essential gets missed when filling in details.

No one was interested in throwing away technology already in place. Initially SAI put its own 3,270 terminals into the brokers' offices. But, as Waring points out, the last thing brokers want is banks of terminals in their offices.

There are three big software packages in the commercial insurance marketplace – MCS, Misys and Policymaster. They run on Digital VMS, Unix, Xenix and Aix respectively. SAI identified its target hardware hosts, and negotiated with the software houses supplying the main packages to make their systems "interoperable" with Verimation Memo.

These third-party relationships were important in achieving a smooth and relatively swift programme to spread the usage of E-mail. It made implementation much easier and cheaper, also more attractive to the brokers, but implementation costs and the solving of communications difficulties have represented a large proportion of the costs.

The tailored screens, closely aligned to the paper, make the changeover less traumatic for staff.

A broker can now send details, particularly of complex risks, to a dedicated person at SAI. The "human factor" – one of the aspects of the project about which some users had reservations – is still critical in getting a swift response. "There was no way we wanted to take the personal relationships out of the way we do business," says Waring. He admits there was fear that IT would detract from the relationships built up over years, "but what we've found is that the way we've delivered the systems, personal relationships actually strengthen".

Access to mainframe records at SAI was another incentive to the brokers. Some, with their own E-Mail systems, have linked the Verimation system to Wang Office, Office Vision, Mail Exchange and other proprietary systems. Now there is a strong dialogue between SAI and its brokers, reviewing ideas, and continuing education and awareness.

For competitive reasons, comments from the brokers have to be kept anonymous, but their enthusiasm has grown as the paperwork has shrunk. Typical are: "A failsafe method of communication . . . extremely easy and quick to use . . . saves time . . . saves money on telephone and postal charges" and "you can avoid a protracted phone call with a short message . . . involve a chain of people with one message at the same time."

Waring stresses that the decision-making was all made from a business angle. He could draw on the expertise of IT people, but it was up to him to decide on the business problems and discuss the possible solutions. The result of this step-by-step approach was that E-Mail quickly became an integral part of the business operations for SAI's business partners.

"There was wide interest in the customer base once there was a recognition that it wasn't a here-today, gone-tomorrow feature of the industry, but here to stay and develop. It's a matter of IT support for business relationships, part of making SAI a more attractive partner," he says.

The series will continue on the Technology page in April. The Quarterly Review of Software at Work will appear on March 19.

Alan Waring: 'The joy of using E-Mail is that you are not restricted to office hours'

BUZZWORDS

E-Mail, the common abbreviation for electronic mail, is a software product usually run on networked PCs or mainframe systems, where the user can communicate with anyone on the system though defined groups and often on pre-formatted screen layouts.

Interoperability denotes the integration of information from disparate systems. Unlike open systems, it entails exhanging data structures between incompatible operating environments.

CONSULTANT'S CRITIQUE

TIME ZONES are the curse of international businesses. When the day is nearly over in the UK, Californians are just getting out of bed and the Japanese have already gone home.

One benefit of E-Mail is in time-shifting. Like facsimile or the postal services, the E-Mail message is ready to be read whenever the recipient arrives at the desk. It combines the speed of the telephone with the off-line readability of paper-based messages.

Sun Alliance has taken E-Mail outside the boundaries of simple intra-office communication by integrating its messaging system with its brokers. Brokers want to help their clients and will tend towards those insurers who can offer a wide range of services. Clearly, the timeliness of obtaining a quotation is an important part of the transaction.

The integration with the brokers' systems is an important part of the success of this installation. Learning new methods is a barrier to acceptance of any new technology. Any technique that makes the new system appear to be a logical extension (or improvement) of the old will help overcome resistance by users.

Forms are a metaphor that is familiar to office workers. Sensibly, the computer forms were customised so that they resembled the paper forms that the brokers were already using in other transactions. The result is a system that is simple for the uninitiated or computer-shy user.

Electronic data entry has appealed to many industries for some time. However, it is only recently that companies considered making their data available to suppliers or customers.

Generating invoices on computer and then posting them to customers, who re-type them into their own computers, is a waste of effort and money. It is also error-prone. Exchanging the information directly between the two computers seems more obvious.

While the Sun Alliance system is not yet a full EDI (electronic data interchange) application, it has encapsulated the heart of the concept.

In the 1990s companies will tend to do business with organisations which make their operations easier (or reduce their costs). Sun Alliance has shown considerable vision in opening its E-mail system up to its brokers.

Kevin Grumball

The author is a consultant with Software Design and Construction, of Milton Keynes

MANAGEMENT: Marketing and Advertising

John Thornhill investigates different ways in which retailers go in search of the right site for stores

Why location counts

There is a saying in the retailing industry that only three things matter: location, location and location. Site your shop in the right area, the belief runs, and the world will beat a path to your door.

But how do retailers know what the right site is and, more importantly, how do they go about finding it?

Until recently, retailers have been happy to entrust their choice to chartered surveyors who advise about the availability and price of potential sites. Inevitably this can be a somewhat hit-and-miss affair, depending heavily on a surveyor's expertise. The costs of getting it wrong can be enormous.

But many retailers are now adopting a more scientific approach to site selection and are using a growing mass of demographic information to determine the best location.

This week, Pinpoint, a market research company, is launching a new service called Site Optimiser, which promises to extend the process further. Using a range of market research information, Pinpoint will aim to find the optimal location for a store leaving it up to the company and its surveyors to try to match the ideal with the reality.

So, for example, Pinpoint would be able to search its computer database and rank a range of possible sites for an electrical retailer on being instructed that the company would ideally like a site in Manchester with a high concentration of young, affluent, upwardly-mobile families within a half an hour's drive.

At present Pinpoint uses a range of information culled from the 1981 census, cross-referenced with data from CSO regional reports and family expenditure surveys, and trade association figures.

But Paul Winters, managing director, predicts an "explosion" of the range of analysis following the release of the 1991 census figures later this year.

Publication of the census figures will provide a more detailed breakdown of household characteristics than ever before and will include about twice the information available in the 1981 census.

The Office of Population Censuses and Surveys will start releasing the information in April, beginning with the Isle of Wight and concluding almost a year later with south Glamorgan.

The data will include such details as the regional population break-down by age, sex, nature of household ownership and car ownership. For the first time, information on the ethnic origin of local populations and the prevalence of central heating will be measured.

This information will allow retailers to develop more sophisticated models of local economies and their spending patterns. It could also help shops market themselves more effectively and even allow them to stock products more closely tailored to their customers' needs.

Some consumer products companies are already experimenting with such micro-marketing. For example, Heinz, the food group is running a series of local radio commercials in Hindi in Yorkshire, the Midlands and London, to encourage Asian mothers to buy a new range of 11 vegetarian baby meals.

Some retailers, particularly the grocery chains such as Tesco and J. Sainsbury, have also developed highly sophisticated models of local spending patterns and intensively research the demographic profile of any area in which they intend to invest. Tesco claims that its assessments of a store's potential turnover are usually accurate to within 5 per cent; when a modern superstore costs up to £35m to build and turns over upwards of £50m a year, it is clearly critical to make the right choice of site.

Other retailers are also latching on to the benefits of rigorous site appraisal but some of them prove that old-fashioned instinct can still prove to be surprisingly effective.

For example, Kevin Threlfall, chairman and managing director of T&S Stores, which runs 583 convenience stores and tobacconists, swears by a very simple method of assessing a store's viability: he counts the passers-by during a five-minute period at the busiest time of the week, invariably between 11am and 1 pm on a Friday or Saturday.

"If we had a site where 100 people passed within five minutes, then that would equate to £10,000 turnover a week. Two hundred people would represent £20,000. As a rule of thumb it is pretty accurate," he says.

Other factors also come into play and T&S prefers to site its stores next to shops which have a high customer flow such as bakers or greengrocers, rather than banks or building societies.

"It may not be very scientific but it certainly works for us," says Threlfall.

Bitter battle at the Carnival

Christina Lamb reports on rival Brazilian brewers' plans to get ahead

Dancing to the brewers' tune: this year's Carnival in Rio has become the glitter-clad battleground for a marketing war

When a thousand drummers start beating out the samba rhythm on Sunday, opening Rio's world-famous Carnival parade, there will be more at stake than the usual struggle for supremacy between samba schools in choreography, costume and song.

This year's Carnival has become the glitter-clad battleground for a marketing war between Brazil's two largest beer producers.

Brazil's 6bn litre annual beer market is hotly contested by two companies – Antarctica and Brahma – each of which claims to produce the best-selling brand. Brahma, Brazil's largest brewer, is currently ahead with 35.4 per cent of the market for its main seller, Brahma Chopp, but Antarctica's Blue Label is hot on its heels with 33 per cent.

Both companies are gearing themselves up to take advantage of the five days of extravaganza in which economic woes are forgotten, men dress up as women and women wear very little indeed.

Brahma was the first to spot the potential of Carnival. One of its factories lies alongside the Sambadrome where the official parades take place. When the stadium was built in 1984, the company was given one of the best boxes in exchange for part of its land.

Last year for the first time, its marketing director decided to exploit this, inviting personalities and ensuring that the box – and of course the brand name – was the focus of attention of the television cameras beaming the scene live to 40m viewers.

"Carnival means happiness and parties, when everyone forgets recession and misery and has a good time. That's what we want our beer to be associated with," explains Inga Ostrovsky, Brahma's marketing director.

But the idea proved such a success that Antarctica is copying it. Nizan Guanaes from the company's advertising agency says: "We've gone for the Japanese philosophy – copy it and improve it". He heads a team hard at work in a flat in Ipenema, plotting how best to capitalise on the five days in which the whole of Brazil lets its hair down.

Over the next two weeks the two companies will spend nearly $1m (£575,000) sponsoring rival samba schools, street bands and Carnival balls. They have also rented boxes in the Sambadrome to which they have invited international stars to watch the 50,000 people parading.

Brazil's beer industry had traditional kept a fairly low profile attracting little investment until a year ago. Then, after a takeover by Banco Garantia, Brahma announced investment plans to increase production to 4.3bn litres a year by 1993 and launched an aggressive marketing campaign.

Brahma is now one of Brazil's biggest spenders on advertising with an annual budget of $25m, recruiting leading singer-songwriter Tom Jobim and splashing its slogan "Number One Beer" across buses, billboards and magazines.

Not to be outdone, Antarctica is increasing production by 48 per cent this year and has upped its advertising spending to $25m, running a campaign under the slogan "Antarctica, the Best and the First and there is nothing more to be said".

The battle hotted up last October when the government freed beer prices after years of controls. Sales fell 10 per cent last month because of recession and both companies have fixed their sights on Carnival to boost their market-share. Each has an eye, too, on the international potential and are hoping tourists visiting Rio will remember the beer they drank when they return home.

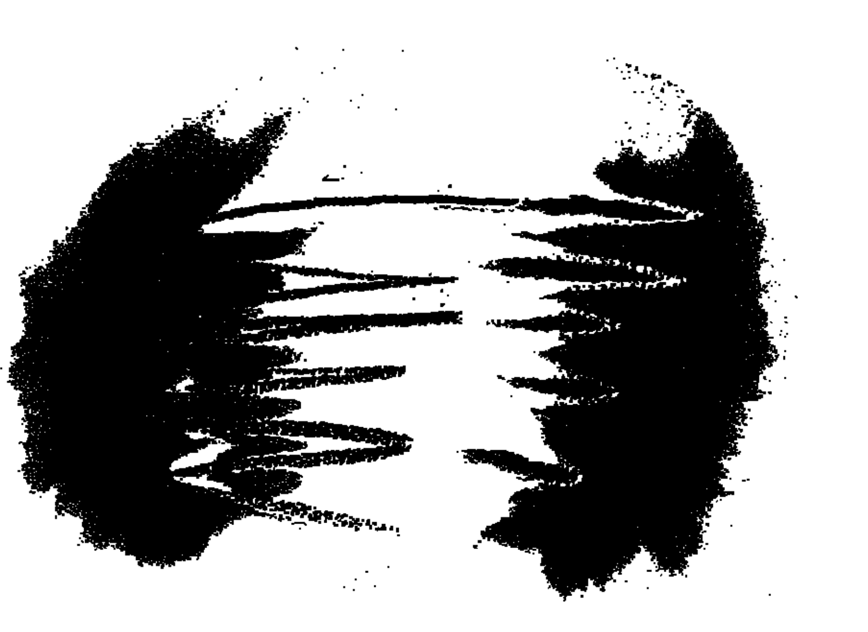
This year for the two days of parades, Brahma's "Number One" box will play host to 350 politicians, film stars and leading society figures. Little more than 200 metres away, Antarctica's boxes will offer a night-long banquet followed by breakfast, with sleeping areas available for those who cannot take the pace.

While Brahma is reticent about the names of its VIPs (though dropping rumours of the presence of Kevin Costner and Richard Gere), Antarctica confirms it will be playing host to singer Liza Minelli, film-maker Franco Zeffirelli and the Canadian model Linda Evangelista.

However, hopes that this will draw the television cameras have been foiled. The two leading channels have agreed not to show the brand names and they plan to give plain white T-shirts to anyone they interview.

Both brewers feel they have already had value for money. Brahma is spending $300,000 and Antarctica $500,000 and Guanaes says: "The idea was to create an event the whole city is talking about and we've certainly done that even before Carnival".

Ostrovsky agrees: "It's not really a war – it's a show like everything else in Carnival and one that we're both capitalising on".



Business books

When words fail you

Lucy Kellaway takes a quick look at summaries

Now you can read the best business books of 1992 – in just 15 minutes each, screams the advertisement.

This is not another speed reading course. The idea is that you pay other people to do your reading for you. Tucked away in Bristol, Vermont, are teams of experts who grind their way though thousands of business books each year. They reject more than 99 per cent and turn the remaining 30 or so into eight-page summaries.

Hey Presto! Busy executives can save both time and money. The summaries "slash hundreds of hours off reading time", and cost around $100 a year – buying the books might cost eight times as much.

It is an offer that some 25,000 managers in the US have been unable to resist. Now the company, Soundview Executive Book Summaries, is hoping to reach a wider audience through its full-page advertisments in the Economist magazine.

The scheme may not catch on. To the British eye, at least, the invitation looks odd. The 30 summarised books are called "outstanding", and readers are warned that missing out on the ideas and insights could be a "serious and expensive mistake".

Yet if the books are as good as that, the prospect of a summary is an affront; executives should read the book themselves.

Not a bit of it: Soundview recalls a "scientific study" that has shown the busy executive is more likely to remember the ideas in a summary than in the book itself.

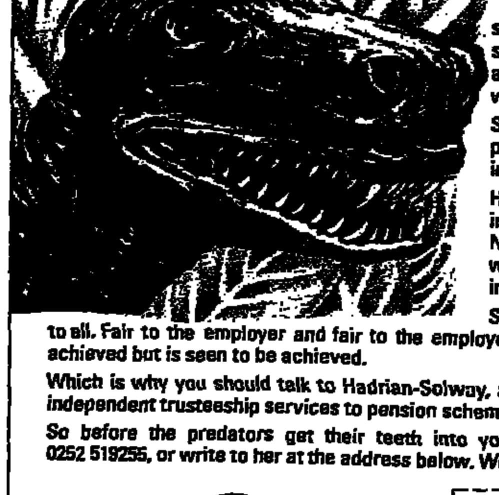
Moreover, it claims that the summaries will make executives look intelligent by giving them a "talking knowledge" of the titles that are on everybody's lips.

One thing seems certain: the service will reassure anyone who feels that a rich literary world is passing them by. Of the 30 "outstanding" books last year, one was "Business Protocol" by Jan Yager. This tells executives not to eat with their mouths full and not to pretend to be someone else on the telephone in order to get through to an influential person. The book says that business gifts are fine so long as they are not too expensive. It recommends a photo album or coffee mug.

For readers who do not have the time to read the eight pages, the message is summarised on the front cover: "Like Your Mom Said: Good Manners Count".

Alternatively, companies in crisis may be helped by the summary of "The Turnaround Survival Guide" by A David Silver. "Like day-hikers who start out in the warm sun and find themselves shivering in an ice storm 10 hours later, you never know when you'll need survival skills." One shudders to think what the unexpurgated version is like.

However daft the idea might seem, it initially attracted competition from Macmillan, the publishers, who subsequently switched to business book summaries on tape instead. Now there's a good idea for businessmen who have no time, and who can't read either.



FINANCIAL TIMES SURVEY

DOMINICAN REPUBLIC

Thursday February 27 1992

President Balaguer, aged 85, surrounded by his chief of staff: it seems that the pattern of Dominican politics will not change until his departure   Pictures for this survey by Philip Wolmuth

The economic picture has brightened in the past 18 months. President Balaguer, who is 85 and blind, says he will not fight the next election in 1994. Though few people believe him and there is no obvious successor, the end of an era is in sight, writes Stephen Fidler

Après moi, le déluge

THE DOMINICAN Republic is approaching the end of an era. The man who has dominated it for more than a generation, President Joaquin Balaguer, is now 85; his chief political opponent, former president Juan Bosch, is only three years younger.

President Balaguer has been prominent for 60 years in the politics of his country, whose 7.2m people share the Caribbean island of Hispaniola with Haiti.

He was re-elected for a sixth term in elections in May 1990 by the narrowest of majorities over Mr Bosch: less than 25,000 in a total vote of 1.93m. Mr Bosch denounced the result as a fraud.

Mr Balaguer was a minister and later titular president of the Trujillo dictatorship which ruled the country from 1930 until 1961.

After the assassination of Rafael Trujillo in 1961, the state seized (and still owns much of) the property of the Trujillo family, which had ruthlessly used its position to become the country's largest landowners. Following the election of 1962, Mr Bosch assumed the presidency, only to be deposed seven months later in a military coup. A virtual civil war followed, prompting intervention in 1965 by US marines.

The 1966 elections enabled Mr Balaguer to assume the office he has held continuously since, except for the two presidential terms from 1978-86. Although the sightless president has announced that he will not contest the next presidential election in May 1994, most Dominicans believe that if his health and luck hold out, he will go on.

Until his departure, the pattern of Dominican politics will continue much as before. What happens afterwards is a mystery, even to the closest followers of the Dominican scene.

Mr Balaguer fits into the mould of the traditional Latin American *caudillo*, or strongman. He remains adept at the exercise and preservation of power, which means limiting the influence of others. As a result, his opponents are weak, and no obvious successor has been allowed to rise through his own party.

His approach has also meant a centralisation of power on the office of the president that is matched in few other countries, and therefore a severe weakness of most of the other institutions of state.

His political antennae remained perceptive enough to recognise that, when he reassumed office in 1990, something drastic was needed to reform the economy. Near economic collapse was the price being paid for the free-spending years of his fifth term.

Inflation exceeded 100 per cent in 1990. There were severe shortages of fuel and food. The notoriously unreliable water and electricity supplies had become even more erratic, with power cuts of 20 hours or more a day.

The last 18 months have made quite a difference. Now, as the country prepares to celebrate the 500th anniversary of the arrival of Christopher Columbus in the new world, the economic picture appears much brighter.

Inflation last year dropped below 5 per cent. After two years in which the economy shrunk perhaps by 7 per cent, there are renewed prospects for economic growth.

The astonishing collapse in inflation was due to an orthodox economic policy, which sharply reduced the deficit on public sector spending. The government abolished subsidies on food, petrol and energy. It cut financing to public sector enterprises and stopped the central bank from issuing currency unbacked by genuine government revenues. Reforms to simplify the customs structure have been decreed; tax reform is in prospect, as is a restructuring of the financial sector.

Less than a year ago, the country was behind in payments to all its creditors, thereby cutting off important sources of finance from international financial institutions such as the World Bank and InterAmerican Development Bank. Now, having cleared the arrears to them, it is drawing funds from the two institutions and the International Monetary Fund, with which it signed a standby loan agreement last July.

This has cleared the way for negotiations now under way with the Paris Club of creditor governments over debt rescheduling. The government is pursuing bilaterally debt concessions from other governments. It has already secured debt relief agreements from Mexico, to which it has repaid $52.9m to eliminate $162.8m face value of debt, and Venezuela. The government is also proposing significant debt relief from commercial banks, to which it suspended payments in September 1989 and which are owed $900m of its $4.5bn foreign debt.

The speed of the turnaround in economic fortunes is said to have surprised even the IMF. However, the economy and the government's management of it have been notoriously volatile in recent years, and there have been no institutional changes to guarantee that this situation will alter. To the cynical, the reforms so far have merely abolished claims on the public purse from subsidies and public enterprises, leaving more revenue in the hands of the central government.

Some economists, lawyers and businessmen in Santo Domingo are urging an intensification of reforms to the structure of the economy, including an overhaul of the legal system which inhibits foreign and domestic investment. The prospects for such profound change in the near future are less than rosy.

Although most of the country's fundamental economic problems remain – unemployment for example is estimated at over 25 per cent – the Dominican government's attempts to diversify the economy away from sugar have had some success.

Free trade zones – where businesses can import and export free of taxes and duties – now employ 120,000-130,000 people and contributed $250m in hard currency last year to the central bank.

There has also been some success in non-traditional agriculture – for example, fruit. The most successful of these have depended on foreign investment. Domestic agriculture is in need of reform, for example giving farmers unchallengeable legal title to their property, to reverse a trend which could leave the country needlessly dependent on food imports.

Tourism income was estimated at $880m in 1991, a significant contribution to an economy whose merchandise exports totalled some $730m last year. More than half of the tourists now visiting the country are from Europe, reducing the heavy dependence of the Dominican economy on that of the US.

This dependence on the US – reinforced by the remittances of the many Dominicans living there – may be further reduced by the country's accession in March 1990 to the Lome Convention. This allows duty-free access to 320m consumers in the EC.

The country has been a beneficiary since 1983 of the US's Caribbean Basin Initiative (CBI) which gives duty and quota free entry of many goods to the US market. However, there are concerns that the signing of a free trade agreement between the US, Canada and Mexico will displace investment and exports from the Dominican Republic.

Another cloud which could influence US trade concessions is the Dominican human rights record. The US State Department published last month a 1991 report on human rights practices. It cited abuses, particularly in the treatment of the many Haitians working in the Dominican sugar cane industry.

Relations with neighbouring Haiti, which has invaded more

Continued on Page 2

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The economy has recovered in the past 18 months, reports **Stephen Fidler**

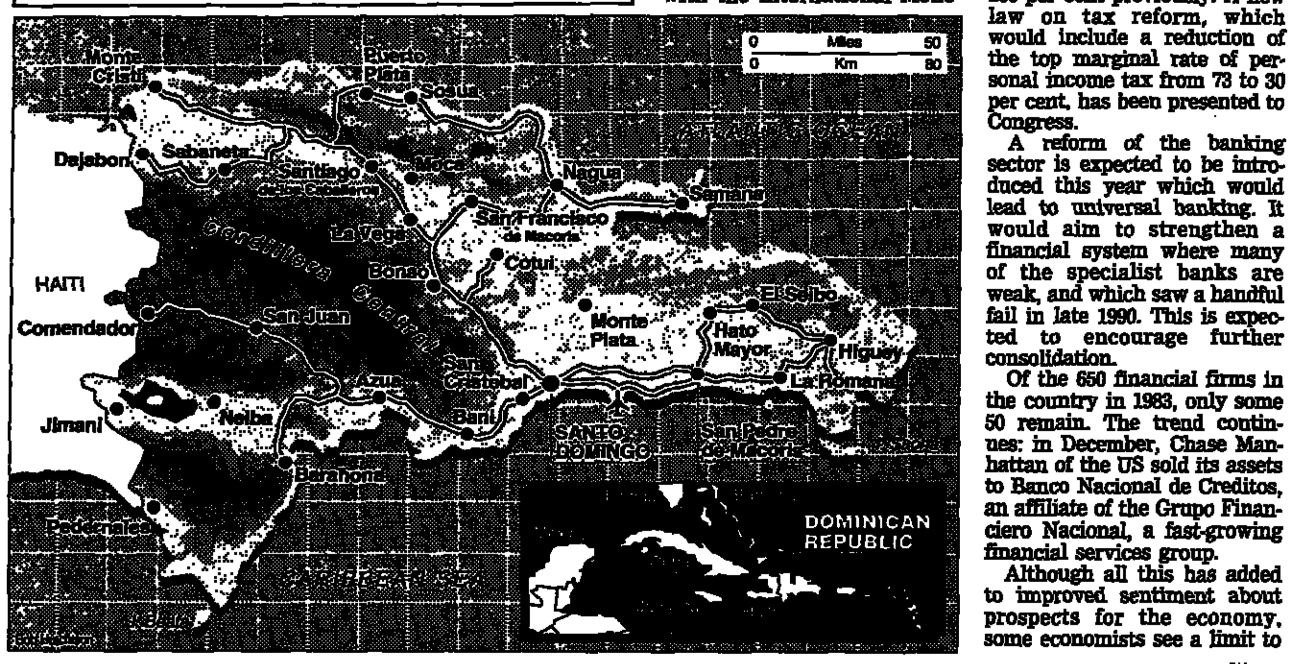
It looks better, but it may not last

KEY FACTS

Area .... 48,734 sq km
Population .... 7.2m (1991 estimate)
Head of State .... President Joaquin Balaguer Ricardo
Currency .... Peso (P)
Average Exchange Rate ..... 1990 \$1=P8.53; 1991 \$1=P12.69

ECONOMY	1990	1991*
Total GDP (\$bn)	7.1	n.a.
Real GDP growth (%)	-5.1	
GDP per capita (\$)	986	n.a.
Origins of GDP (%)		
Agriculture	17.4	
Industry	26.6	n.a.
Services	56.0	
Components of GDP (%)		
Private Consumption	84.4	
Total Investment	13.8	
Government Consumption	6.5	n.a.
Exports	27.8	
Imports	-32.5	
Consumer prices (% change pa)	59.4	39.6
Real wages (% change pa)	-4.6	n.a.
Reserves minus gold (\$m, Dec)	61.6	441.9
Narrow money growth (% pa)	38.9	27.8
Broad money growth (% pa)	37.7	33.3
Total external debt (\$bn, Dec)	4.5	4.7
Debt service ratio (%)	10.3	n.a.
Current account balance (\$m)	-58.6	-50.0
Exports (\$m)	734.7	600.0
Imports (\$m)	1792.9	1700.0
Trade balance (\$m)	-1058.2	-1100.0
Main Trading Partners (1990, % by value)	Exports	Imports
US	60.9	43.5
Japan		10.6
EC	18.9	11.8

*1991: Consumer prices: September; Money figures: October; GDP growth, trade and debt: EIU forecasts.
Sources: IMF, World Bank, Datastream, Economist Intelligence Unit



A SHARP drop in inflation and the chance of a resumption of economic growth this year have encouraged greater optimism about prospects for the Dominican economy than has existed in years.

Such optimism hardly seemed conceivable less than 18 months ago. As the government attempted to tackle inflation which exceeded 100 per cent in 1990, petrol and food shortages developed and electricity and water supplies were cut off for 20 hours a day or more.

Yet 1991 inflation was below 5 per cent. The economy, after shrinking by 5.3 per cent in 1990, levelled out or contracted slightly last year. The prospects for a resumption this year of economic growth, perhaps of 2 to 3 per cent, seem good as the high interest rates that were part of the economic stabilisation plan have fallen.

At the end of 1990, the country was in arrears to all its creditors, including the international financial organisations, forcing the World Bank to cut off new lending to the country. Arrears were cleared to the organisations last April, allowing for a resumption of World Bank and InterAmerican Development Bank loans and for a standby agreement signed with the International Monetary Fund last summer.

Foreign reserves have begun to climb, with inflows into the country of flight capital, encouraged by positive real interest rates.

The plan included a unification of the exchange rate and a liberalisation of foreign currency rules and of interest rates. Government subsidies were reduced for a variety of goods, including petrol and electricity. A new central bank governor, Mr Luis Toral, was appointed, who appears to have ceased, more or less, printing money not backed by government transfers of funds to the central bank.

Economic policy is still being decided "on a day-to-day basis"

As a result of the programme, the public sector deficit fell from 6 per cent of gross domestic product in 1989 and 5.1 per cent in 1990 to 0.1 per cent in 1991.

The government has also begun to attempt structural reform of the economy. A presidential decree simplified the tariff structure in September 1990, reducing the maximum tariff to 35 per cent from over 200 per cent previously. A new law on tax reform, which would include a reduction of the top marginal rate of personal income tax from 73 to 30 per cent, has been presented to Congress.

A reform of the banking sector is expected to be introduced this year which would lead to universal banking. It would aim to strengthen a financial system where many of the specialist banks are weak, and which saw a handful fail in late 1990. This is expected to encourage further consolidation.

Of the 650 financial firms in the country in 1983, only some 50 remain. The trend continues: in December, Chase Manhattan of the US sold its assets to Banco Nacional de Creditos, an affiliate of the Grupo Financiero Nacional, a fast-growing financial services group.

Although all this has added to improved sentiment about prospects for the economy, some economists see a limit to the extent of the reform. They also express concern that the programme could easily be reversed. Since much of it has been introduced by presidential decree and has not been passed into law by Congress, it can be reversed by decree.

The rationale behind the changes appear to have been linked more with President Joaquin Balaguer's view of how he can gain politically than with any coherent economic policy objective. "The president has an exclusively political mind, not an economic one," says one close observer.

Mr Hugo Guiliani Cury, a former central bank governor, reckons economic policy is still being decided "on a day-to-day basis."

Mr Andres Daujhare of the Economic and Development Foundation, a pro-market think tank in Santo Domingo, sees limits to likely immediate structural reform in the Dominican economy. For example, the president still thinks of "state enterprises as necessary to employ poor people who don't have jobs."

Pressure on the government not to liberalise quickly is also coming from those domestic businessmen who want to keep out cheap foreign imports which challenge their protected position in the domestic market. In a country where unemployment is reckoned at a quarter of the workforce, this view may well carry significant weight with an electorally-sensitive president.

The view of these domestic producers is opposed by a significant group of exporters and foreign investors.

Mr Randolph Fleming, president of the fruit group Dole Dominicana, a subsidiary of Dole Corporation of the US, represents one of the largest foreign investors in the country. He says that the tariffs that his company is forced to pay on imports are increasing his company's costs. Unless they are lowered, foreign investment will be attracted to other countries in the region offering tariff-free regimes.

This presents a dilemma for a country which is still seeking to diversify its economy away from sugar.

But there are other priorities, too. Agricultural reform is needed to strengthen a debilitated sector of the economy: productivity growth is coming mainly from foreign investors. The government is ill-equipped to deal with its role, for example, in plague control. And, because many farmers only have provisional title to their land, they cannot obtain bank loans.

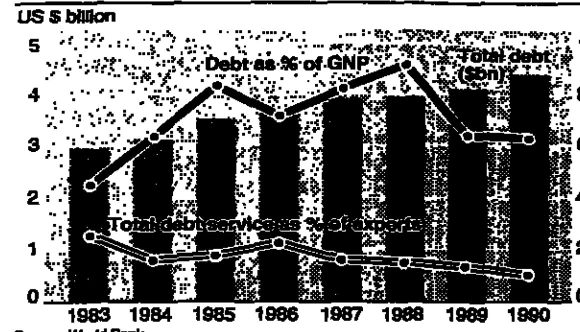
Another priority, which particularly influences foreign investment, is to tackle the weakness of the legal system. Mr Luis Heredia-Bonetti, a prominent lawyer in Santo Domingo, says: "The legal structure of the Dominican Republic has become obsolete." Much economic and business law needs to be reformulated, he says.

Priorities include:

- revisions to laws which set one Dominican peso as equal to one US dollar, when the actual rate is 12.5 to the dollar.
- a repeal of the state's usury laws which limit to 1 per cent a month the interest chargeable on loans.
- a revision of foreign investment laws that do not allow for repatriation of funds.

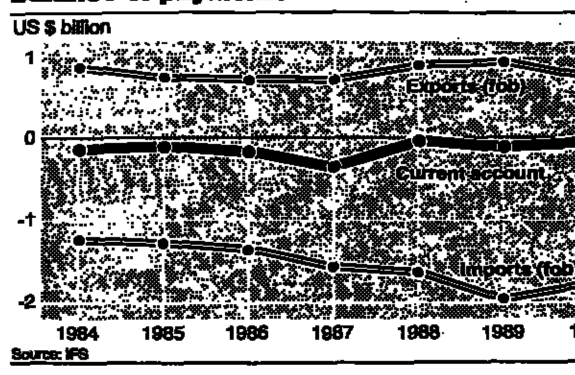
This contrast between the law of the land and the recent decreed reforms of the president is serving to enlarge daily the already huge informal economy. "Every day," remarks Mr Daujhare, "the government violates all the laws."

Total debt



Source: World Bank

Balance of payments



Source: IFS

Residents in Santa Barbara, where extensive rebuilding is now under way

THE COUNTRY'S POLITICAL FUTURE

President shifts an elephant

THE DOMINICAN newspapers were full of the story: would Mami the elephant be moved from her home in a park in Santo Domingo to allow a construction project to go ahead? The answer was handed down by the one man who could decide on the issue: President Joaquin Balaguer.

Mami, he decided, should be moved. The popular elephant justified his decision by surviving the shift to a zoo.

The story illustrates more than the occasional comedy of life in this country. It shows how many of even the most trivial decisions are made by the office of the president.

The man who has held this office for much of the last 30 years, and was an influential figure in the 31-year Trujillo dictatorship which preceded it, is President Joaquin Balaguer. Now 85 years old and blind, the president has said that he will not run again when his sixth four-year term ends in 1994. It is hard to find a Dominican who believes him.

For Mr Balaguer's disability should not be mistaken for intellectual frailty. He seems to have lost little of his political astuteness and continues to outflank his opponents. The opposition parties are fragmented and the economy is improving: few people see why, this side of the Rubicon, he should not stand again.

The constitution that Mr Balaguer helped to fashion in 1966 allows him to rule his country as a constitutional dictatorship, according to Mr Pedro Catrain, the lawyer and political commentator. Even though the president's Christian Social Reform Party (PRSC) is in a minority, the lower house is rarely able to stand in his way. He signs all the cheques for central government. Every week, he travels round the country to open government projects where he personally distributes largesse such as chickens and baseball equipment to waiting crowds. He is in the long tradition of the *caudillo*, the Latin American strongman, expert in the exercise and preservation of power.

Mr Balaguer seems to have lost little of his political astuteness and continues to outflank his opponents. The opposition parties are fragmented and few people see why he should not stand again

So skilfully has he done this that the other institutions of state have been debilitated, some fatally. This has been positive in the case of the armed forces, which have been allowed to exert influence in a limited way – they dominate, for example, commerce with Haiti. On the other hand, an undeveloped legislative and judicial system will hinder the country's attempts to move into the modern world.

Furthermore, it is difficult to see where the country's next leader will come from. The other grand old man of Dominican politics, former president Juan Bosch, is only three years younger than Mr Balaguer. Mr Bosch claims he was defrauded from victory in the 1990 election: the result was certainly close. But he does not appear to offer a great shift in style from Mr Balaguer and in any case is seen as a weakened force, partly because of his advanced age. While he claims the government is illegal, he has been at odds with the deputies of his Dominican Liberation Party (PLD) who, for example, voted with the government to pass budget legislation.

Also in opposition, the Dominican Revolutionary Party (PRD) is seeking reform of the country's weakened institutions, such as the legal system. While its leader, Mr Jose Francisco Peña Gomez, represents social democratic forces, he faces two handicaps. He is black and the country has never elected a black leader, and his party has suffered from the attention given to the trial for corruption of Mr Salvador Jorge Blanco, PRD president from 1982-86. Yet there is no PRD monopoly on corruption in the Dominican Republic (the highest paid officials and ministers receive an annual salary of about US\$3,000) and the trial is seen by some of the president's critics as politically-motivated.

In Mr Balaguer's own party, half a dozen potential candidates have emerged. They include Mr Fernando Alvarez Bogaert, an economist; Mr Ramon Perez Martinez, a deputy for Santo Domingo; Mr Jacinto Peynado, a senator; Mr Caonabo Javier Castillo, administrator of the country's reserve bank; Mr Luis Toral, governor of the central bank; Mr Donald Reid Cabral, a former foreign minister; and Mr Carlos Morales Troncoso, the vice-president.

While some of these candidates would represent a bigger change from the current style than others, none has the political support to match the incumbent leader. The outlook for Dominican politics is thus one of great certainty – until the moment that President Balaguer goes. After that, what will happen is anyone's guess.

Stephen Fidler

Après moi, le déluge

Continued from Page 1

than once, have long been poor and worsened with the election of President Jean-Bertrand Aristide. Last June, the president decreed the repatriation of all foreigners under 16 and older than 60. According to the State Department, 6,000 Haitians were involuntarily repatriated before the programme was suspended on the day after the Haitian army coup in September. In addition, "some 50,000 to 55,000 Haitians left, mainly to avoid the possibility of losing their possessions."

The influence of the US remains strong, as it has been throughout the century. The other main influences on the president – the army and the Roman Catholic church – are also traditional.

Mr Balaguer has long awaited the celebration of the 500th anniversary of Columbus's "discovery and evangelisation of the Americas" and may well see this year as the culmination of his life's work. The scale of his country's festivities contrasts with the equivocation evident elsewhere in the region.

The Pope will be among a stream of visitors to Santo Domingo, the first permanent settlement established by Columbus in the new world. The president has ordered a refurbishment of the fine colonial quarter of the capital, dominated by its coral rock cathedral.

In a typically grand gesture, in a poor country where electricity is a scarce commodity, Mr Balaguer has also decided to complete a commemorative lighthouse first commissioned from a student Scottish architect in 1929, and only now reaching completion. The lighthouse, costing tens of millions of dollars, will project the symbol of the cross on to the clouds above.

A more important bequest for his people would be for President Balaguer to use his last years in office to further economic reform, to strengthen the institutions of state and to reinforce the democratic process. But that would probably be too much to ask.

MINING

Balaguer set to award $200m contract

IN A few weeks the Dominican government will name the foreign company it has approved to develop what will be one of the largest gold-mining ventures in the Americas, writes Canute James.

The companies have put in bids for building facilities to exploit gold and silver deposits, which are owned by Rosario Dominicana, the state company, in Pueblo Viejo in the island's north.

The development of the facility follows the exhaustion of reserves in the oxide zone of the mine, and a decline in the country's gold and silver output in recent years. Bids are being considered from four companies - Davy McKee of the UK, Minproc Engineering and BHP Utah International of Australia, and Paulo Abib/Andrea Gutierrez of Brazil.

The favoured company will be granted a $200m contract. Rosario Dominicana expects that the Pueblo Viejo sulphide zone will yield an average of 1,100 ounces of gold (with 40 per cent silver content) a day. The country expects to earn about US$7bn before the deposits are exhausted.

All the companies have presented projects that would take between two and 2¼ years to complete. The board of Rosario Dominicana is evaluating the bids, and such is the importance which the government has attached to the venture that the final decision on the award of the contract will be taken by President Balaguer.

The development and exploitation of the sulphide zone will reverse the trend in the decline in production of precious metals. Gold production in 1981 was 412,991 ounces, but fell gradually to 138,640 ounces in 1990 and is estimated to have been slightly less last year.

"Gold production has been falling as the oxide deposits have been exhausted and attention has been turned to a transition zone," says Mr Gerald Ellis, director-general for minerals. That zone will be worked for three years and then the sulphite zone will be exploited for about 25 years. The transition zone will be mined until 1993 and is expected to yield gold and silver worth about $125m.

Earnings from the expanded gold-mining venture will lift the country's already significant minerals sector, now dominated by nickel production. The Dominican Republic is the world's seventh largest nickel producer and the second largest after Canada in the western hemisphere. The country's proven reserves are about 37.8m tonnes with a grading of 1.72 per cent nickel.

The only producer, Falconbridge Dominicana, a subsidiary of a Canadian company, has a facility with a capacity of 63m lb a year. The industry, which has overtaken sugar as the main foreign currency earner for the Dominican Republic, has been troubled by domestic and market problems in recent years.

The plant was shut in 1988 as the company and the government argued over an export levy. The issue was resolved when the government guaranteed the company's mining operations and exports, while the company allowed the state an increased share in profits.

More recently, the industry was affected by low prices and weak demand for nickel. Exports last year are estimated to have been slightly lower that the 67.4m lb exported in 1990, and which were valued at $262.1m. The reduced production was caused by a cutback in production by Falconbridge in the last quarter of last year because of low prices.

"Several companies are involved in exploration for precious and base metals in other parts of the country," says Mr Ellis. "There is some hope of finding another major gold deposit, and several major Japanese, US and Canadian companies are in the hunt." The companies include the Mitsubishi Corporation of Japan and Canyon Resources and Battle Mountain of the US.

At the same time, a number of companies is involved in oil exploration as the government attempts to reduce its dependence on foreign oil, and to ensure that its electricity generating capacity is below demand. The company needs about 23m barrels of oil a year, and the government clearly hopes that two ventures will yield oil. Mobil of the US and Once Once, a joint US/Dominican venture are exploring areas offshore and onshore for which they have been granted licences.

"The Dominican Republic has a policy which is favourable to investments in petroleum and mining," says Mr Ellis. "The country is willing to welcome any company which comes. The paperwork and the bureaucracy are slow, but we are trying to speed up things."

The bauxite mining industry is in an uncertain state. Mines which were worked by the Aluminum Company of America were closed in 1982 after declining production. The Dominican Republic, a founding member of the International Bauxite Association, a producers' organisation, lost its membership when the industry died.

There have since been bauxite shipments from the country when agreed quantities are mined by a local company, Ideal Dominicana, for the Aluminum Company of America. Most of this has been to fill shortfalls in Alcoa's operations, notably in Surinam when that industry was affected two years ago by anti-government rebels.

Mr Ellis reported that the Dominican Republic has 15m tonnes of bauxite reserves, and that Alcoa ordered 150,000 tonnes of ore last year. The order was not filled as President Balaguer suspended mining because of increasing local concern over deforestation and other adverse environmental effects.

The government has also been trying to expand production of other minerals. Corde, the holding company for state enterprises, is attempting to increase output of gypsum, lifting production which was 75,000 tonnes in 1990, to about 250,000 tonnes a year. There are also plans to lift marble extraction well beyond current levels which average 20,000 cubic metres a year. Limestone production has also fluctuated in recent years, moving from 350,000 tonnes in 1989 to 503,000 tonnes last year.

Non-traditional crops: harvesting a crop of beans on a collective farm in the mountains of Peravia

Canute James reports that farmers, after a decade of poor performance, are breaking with tradition

Focus turns to new crops

ON ROLLING plains about 50 miles to the north of Santo Domingo, the Dominican capital, almost 7,000 acres of land previously under sugar cane have been taken up by seemingly unending rows of pineapple plants. To the east of the capital, in the sugar town of La Romana, a new meat processing plant is expanding capacity to meet growing demand in foreign markets.

These ventures are part of the cutting edge of a dramatic change in agriculture in the Dominican Republic.

Up to 10 years ago the agriculture sector was dominated by traditional crops such as sugar (which for long was the backbone of the economy), coffee, cocoa and tobacco. Now non-traditional crops are getting more attention from local farmers, the government and foreign investors.

The sugar, coffee, cocoa and tobacco sectors have performed miserably in the past decade, due to a combination of domestic and foreign market developments. There has been a concurrent expansion of the non-traditional sector, with investments in new crops reaching $350m over the past eight years, and earnings from exports rising to $430m in 1988, and expected to reach just over $600m this year.

The Joint Agribusiness Co-investment Council, which promotes the development of non-traditional agriculture, says the expansion is reflected particularly in the production of pineapples, citrus, melons, mangoes, vegetables, cut flowers and ornamental plants.

The expansion has also been encouraged by a mixture of government incentives and market opportunities. One significant development has been the Caribbean Basin Initiative, a US trade programme which allows countries designated by Washington to ship a range of products, also selected by the US government, duty-free to the US market.

More recently, the Dominican Republic became a beneficiary of the Lome Convention which allows preferential access to the European Community. Already the country is increasing its exports of non-traditional agricultural products to Europe. Pineapples, citrus and juice concentrate are among the products making use of preferential access to both the Caribbean Basin Initiative and the Lome Convention."

Dole Dominicana produces about 2.5m (40lb) boxes of pineapples a year, and 800,000 gallons of juice concentrate. The company plans to invest another $1m to expand the facility, which already gives the Dominican government about $1.5m in rental fees and sales.

Agrocarne, a $16m joint venture between local investors and Campo Frio of Spain, was drawn to the Dominican Republic for much the same reasons, according to Mr Luis Rodriguez, the company's export manager. "We could have gone to other places, but labour here is cheaper and the location, in relation to the markets we want to access, is very good."

The company's processed pork products are currently exported to Mexico and some Caribbean islands. Agrocarne also supplies part of domestic demand. It is now awaiting the conclusion of negotiations between the Dominican Republic and the US on the conditions under which Dominican pork products can enter the American market.

Even the non-traditional agriculture sector has not been immune to problems which have troubled the Dominican economy over the past decade. Those which have proved most worrisome include the lack of chemicals to fight pests, restrictions on products (such as some varieties of vegetables and fruit) entering the US market, and outdated practices in farm management, post-harvest handling and packaging and marketing.

Mr Fleming says that there need to be changes to some "old bad habits and attitudes" in the Dominican Republic, if the agriculture sector is to continue expanding. "The Dominican Republic is operating against the clock in the face of changes which will be created by the widening of the North American Free Trade Area and the possibility of changes in Cuba," he observes.

The concentration on non-traditional agriculture has diverted attention from the traditional crops. While the financially embarrassed State Sugar Council is attempting to rationalise its operations, coffee and cocoa output continue to be victims of outdated husbandry.

Peasant farmers who should have profited from land reform with the break-up of large plantations owned by President Rafael Trujillo have found themselves unable to get farm credit because they have received only provisional titles which bankers find to be unsatisfactory collateral.

Coffee and cocoa output has fluctuated over the past decade, and although still important foreign currency earners, both crops have been affected by the uncertainties of a volatile market. The expansion in the output of non-traditional products has helped to stem a decline in the agriculture sector, which accounts for 15 per cent of the gross domestic product.

One promising area is tobacco. Exports of cigars have been increasing as the Dominican Republic makes use of new market opportunities. "The Dominican Republic exports between 58m and 60m cigars each year, with the major market being the US, which accounts for about 80 per cent of the product," says Mr Jose Seijas, general manager of Tabacalera de Garcia, one of the country's leading cigar manufacturers. "Between 10 and 15 per cent of the country's cigar exports now go to the European Community."

THE TOURIST INDUSTRY

Less fickle, less profitable

THE EUROPEANS are still arriving in the Dominican Republic, 500 years after they first set foot on Hispaniola, the island of which it now forms part.

More than half the country's visitors are now from Europe, led by Italians, Germans and the British. The Spanish are beginning to arrive too on the 14 flights a week to Santo Domingo from Madrid.

This is in sharp contrast with the early 1980s when 80-85 per cent of all tourist visitors were from the US and Puerto Rico. Now the figure is closer to 25 per cent, with Canadians accounting for 20-25 per cent of arrivals. That has allowed the republic, unlike other tourist destinations in the Caribbean more dependent on the American market, a cushion against the impact of recession in the US.

The American tourist has become highly cost-conscious, and many of the destinations in the DR (as they call it) are pricey. Casa de Campo, one of the country's oldest resorts at La Romana along the coast from the capital, for example, provides highly-ranked sporting facilities – three golf courses, shooting, riding, tennis, deep-sea fishing – in a glamorous setting, with prices to match. With every round of gold or game of tennis costing extra, many Americans prefer destinations with all-in prices.

The reduced dependence on the US has made the country's tourism business somewhat less fickle. Europeans appear less sensitive to upward flickers in the price of aviation fuel that used to kill the American market stone dead.

There are, however, some drawbacks of higher dependence on Europe. Its tourists, for example, do not spend as much as Americans once they arrive. Italians tend to spend freely, and the Germans (like the Canadians) moderately, while the British tend to be penny-pinching.

But all visitors are sensitive to the kind of negative publicity that enveloped the island in late 1990. As the government shifted economic policies to try to rein in 100 per cent inflation, the strain on the Dominican economy showed. There were petrol shortages and a scarcity of basic goods; water was cut off to many hotels and tourists were left stranded without power for most of the day.

The worst of the crisis lasted for two or three months, but the effect of the bad publicity lasted for more. Combined with the sharp drop in tourism brought about by the invasion of Kuwait and war in the Gulf, the first half of last year did not appear promising for the country's tourist industry.

According to Mr Ellis Perez, president of the Tourist Promotion Council, a private sector body set up to fill the gap left by the government's baleful promotion efforts: "1991 was a year of survival for our tourism industry."

None the less, according to official figures from the Ministry of Tourism, the number of arrivals in the year as a whole increased significantly. There were 1.32m visitors, against 1.05m in 1990, and 1.1m in 1989.

Meanwhile, the number of hotel rooms rose to 21,500 at the end of last year, from 19,000 a year earlier and 6,100 at the end of 1981. Current plans envisage that number rising to 28,000 over the next two years. Average hotel occupancy rates for 1991 stood at 65 per cent.

A German tourist in Santo Domingo, outside the oldest cathedral in the western hemisphere

However, Mr Perez admits more has to be done to bring all tourists the kind of security of services they expect. Some resorts, particularly the newer ones, are protected against power shortages by their own generating capacity but a full solution to the problems awaits confrontation of the country's big infrastructure problems and a shift toward the proper maintenance of the infrastructure already in place. The importance of tackling these problems is heightened by the possible re-emergence in the next few years of Cuba as an important tourist destination.

Mr Perez, a former tourism minister, is optimistic about 1992. The expensive upgrading of the airport at Santo Domingo and its use as a Latin American hub both by the Spanish state airline, Iberia, and American Airlines, encourages that view.

However, plans to sell off all or part of the state-owned Dominicana airline appear to have stalled. Talks with Iberia have broken down, to the evident relief of some in the industry who believed that Iberia was not an ideal partner and who would have preferred to see Dominicana being used creatively to aid tourism in the country, rather as Jamaica has used its national airline.

Mr Perez sees his country as offering a wide variety of tourist destinations which should reduce the volatility of the market. A third of its coastline consists of beaches, but he also points to the tourist enclaves on the north coast, sporting facilities in the south; and the historic city of Santo Domingo, where the old colonial town has been renovated in preparation for the celebrations to mark the first visit of Columbus to the "new world".

In contrast with the equivocal attitude in other Caribbean countries to the quincentennial, most Dominicans appear unaware of the debate about the issue that rages elsewhere in the region.

The expectations are that the celebrations will benefit an industry whose important to the economy cannot be denied. Twenty-one years after the first law was passed to encourage tourism, the sector employs an estimated 50,000 people. It is now the country's biggest foreign exchange earner, yielding around $800m a year in gross earnings and over 10 per cent of gross domestic product.

Stephen Fidler

Welcome hints for travellers

FIRST IMPRESSIONS on arrival in Santo Domingo, the Dominican capital, are of a modern, efficient airport. While customs and immigration procedures are smooth – one may be required to pay an entry fee of $10 – it is advisable to make sure that baggage is retrieved early.

If it is not claimed soon, it could take another visit to the airport – costly to scheduled meetings – to get hold of it.

Foreign currency should be changed as early as possible to cover local costs, such as taxi fares. Prominent signs throughout the city warn that it is a criminal offence to use foreign currency to settle transactions. This does not apply to the fee for entering the country and that airport tax, also of $10, which is payable on departure.

The major hotels in Santo Domingo are located close to the main business districts, and taxis are freely available. As these are not metered, it is advisable to determine the cost of the trip before setting out. Rates stated at the hotels are usually ignored by drivers who set their own.

Telecommunications from the Dominican Republic are efficient, although callers to Europe may experience delays because of limited circuits. The hotels are equipped with their own electricity generators so guests do not suffer unduly from the frequent power cuts which are common to the city.

Dominicans are usually willing to meet you at short notice, although it would make for a better management of an itinerary if meetings are set up beforehand. Dominican time is equally flexible, and some delay in appointments is not unusual.

The Dominican Republic also offers the business visitor a wide range of after-hours activities. The city is blessed with many fine restaurants with an international and local menu. One may even dine elegantly in a cave.

The colonial section of Santo Domingo, which is being restored, is worth a visit, particularly this year when Dominicans are marking the quincentenary of Christopher Columbus' arrival in the Caribbean.

A stroll through the old city will provide a close view of buildings erected in as early as the first decade of the 16th century, including the Columbus palace and several art galleries and museums dedicated to the colonial period. The cathedral, which Dominicans say is the oldest in the Americas, has what are claimed to be the remains of Christopher Columbus.

The country has many fine beaches and resorts. Located in La Romana, to the east of Santo Domingo, is the Casa de Campo resort spread over several square miles. On the north coast, Puerto Plata is a growing resort with several beach front hotels.

Canute James

Canute James looks forward to the celebrations

Columbus fever runs high

ON A low hill overlooking the harbour in Santo Domingo, capital of the Dominican Republic, teams of workmen are scrambling over a massive concrete structure that was designed 43 years ago. The government hopes it will be completed this year.

The Columbus Lighthouse, a monument whose completion is costing millions of dollars, is central to much that is happening in the country this year.

The lighthouse is the most ambitious part of the country's commemoration – celebration, says the official literature – of the arrival of Christopher Columbus in the Caribbean 500 years ago.

Columbus fever is running high in the country. One weekend earlier this month, thousands of Dominicans flocked to the port in Santo Domingo to view the replicas of the Pinta, the Nina and the Santa Maria, Columbus's famed boats, which were on a short visit.

The nearly-completed lighthouse where the remains of Christopher Columbus will be housed

"This will be a good year for this country," says the head of a local business group. "We are celebrating a milestone."

Preparations for the event are evident all over Santo Domingo. Roads and bridges are being improved, the colonial section of the city is being rebuilt and efforts are under way to improve the electricity supply. The administrators of the country's tourist industry expect an increase in the volume of visitors, drawn by the focus on Columbus.

Cynics and the political cognoscenti concur that 500 years after he arrived, Columbus still has a profound effect on contemporary Dominican politics. They say Mr Joaquin Balaguer, the president, was determined to stand again for office in the 1990 elections simply to be in charge of this year's events.

Centre of the transfer of "the values of western civilisation to America"

According to the Dominican Commission for the Celebration of the Quincentenary, La Isabela, established on Hispaniola by Columbus on his second voyage, was the "first seat of western civilisation in America," and produced "the miracle that today we call America."

It was the Dominican Republic, according to the commission, which was the centre of the transfer of "the values of western civilisation to America". The country, it says, was the site of the first mass celebrated in the Americas, the first municipality, the first city, the first viceregal court, the first university and the first cathedral in which, incidentally, Columbus is buried until his remains are moved to the lighthouse which is being built.

Dominicans appear oblivious to the consternation which they have created in other parts of the region, not by their claim on Columbus, but because of the language which they use. There is little tolerance of suggestions that the use of the word "discovery" is eschewed by most of their neighbours who prefer to "commemorate" the event as an "encounter" of Europe with the Americas.

"Of course there were people here when Columbus got here," agrees the business leader. "But if he did not discover them no one would have known they were here. He brought them Christianity and civilisation. I must be thankful. I would not be here if it had not been for Columbus."

FREE TRADE ZONES

Incentives spur investors

AT THE end of the shift at the Tabacalera de Garcia cigar factory in the free trade zone in La Romana in the south-east of the country, 1,000 workers, mostly women, stream through the gates.

The scene is repeated at factories in the 22 other free trade zones in the country, 12 of which are privately owned and the others owned by the state, and which provide 8m square feet of factory space. Five more free trade zones are being built and another seven are planned.

Mr Jose Seijas, a director of the Free Zone Association, and general manager of Tabacalera de Garcia, says the 140,000 workers employed in the free zones across the Dominican Republic would otherwise have been involved in farming or domestic services with low productivity. The factories have contributed to relieving unemployment in the country.

The free zone is a virtual enclave, a designated area outside the national customs and tax territory, and which offers exemptions on taxes and duties on a range of light industries and services. Production in the free zones is mainly for export. They are islands of industrial efficiency which benefit from the special conditions and incentives.

In La Romana, a US-owned electronics company is making parts for Ford and Chrysler

The expansion of free zones in the Dominican Republic has been dramatic. Exports from free zones in 1980 accounted for 5 per cent of the country's export earnings. By 1988, exports from the zones were valued at US$515m, about 35 per cent of export earnings. Free zone exports in 1990 were valued by the government at $840m.

Investors are drawn to the free trade zones because of a range of incentives. The depreciation of the Dominican peso over the past five years has made wage rates comparative, particularly against those paid in the US. Proximity to the US market has also assisted in drawing investors to the free trade zones.

The main activities are the production of apparel, footwear, electronic assembly and pharmaceuticals. Rather than investing in a free zone, some companies have used Dominican businesses to produce for them under contract.

"Companies in the free trade zones were originally all foreign-owned, but there is now a tendency for Dominicans to own companies," says Mr Bernado Vega, one of the country's leading economists. "The foreign owners were mainly Americans, but today there are investors from Taiwan and South Korea who are seeking easy access to the European Community market."

The growth of the Dominican free zones has been encouraged by the Caribbean Basin Initiative, a preferential trade programme extended by the US to selected countries in the region. Dominican officials say the prospects for expansion of the facilities are good, with the country's recent access to the Lome Convention, a treaty which grants preferential entry to the European Community market.

Being insulated, the free zones have not been affected much by the economic problems which have overtaken the Dominican Republic in recent years. But businessmen are questioning how long they can remain apart from the domestic economy, and whether it would not be in the government's interest to declare the entire country a free trade zone.

"Free zone companies are looking at ways to increase sales to the local economy," said Mr Seijas. "They are trying to create more links with local suppliers." Since the free zones operate under a different fiscal regime, commerce across the fence with the local economy is treated as foreign trade.

The continued expansion of the free zones is threatened by local and international developments. The poor quality of the electricity infrastructure in the Dominican Republic has forced the owners and operators of the free zones to install their own power plants, increasing their operational costs and those of their clients. Mexico's likely membership of the North American Free Trade Area could also reduce the competitive advantage which free zones in the Dominican Republic and other countries in the region have in trading with the United States.

Canute James

The country's sugar production has halved in eight years

An industry slow to adapt

FOR MANY years the main pillar of the Dominican economy, the sugar industry has recently undergone some difficult years. As the region's second largest producer after Cuba, the Dominican Republic has seen production fall by a half between 1983 and last year. In 1983, the industry accounted for 35 per cent of the country's foreign earnings; last year its share fell to 16 per cent, writes Canute James.

The decline has been the result of changes in the economics of international sugar, which have overtaken an industry that has been slow to adapt. At the root of the problem has been the State Sugar Council (CEA), an enterprise created in 1966 to manage the large holdings once owned by President Rafael Trujillo, the dictator assassinated in 1961.

Favourable world prices masked a high degree of inefficiency, until depression overtook the international sugar market about a decade ago.

SUGAR PRODUCTION (in tonnes†)

	Total	Exports to the US	Exports to the USSR
1983	1,209,456	640,128	45,156
1984	1,133,341	614,159	55,175
1985	920,699	465,085	224,689
1986	894,538	357,789	51,243
1987	815,549	302,804	146,315
1988	776,630	228,900	219,560
1989	693,004	285,136	122,239
1990	589,664	310,297	33,115
1991	628,269	290,310*	n/a

*Estimate †Raw value Source: Dominican Sugar Institute

Falling prices and high production costs, compounded by outbreaks of cane rust disease which caused depleted yields, exposed the company, and forced it to diversify its operations and sell off land, reducing the area under canes. Much of this land is now taken up by non-traditional agriculture, tourism resorts and free trade zones. The country's other producers, Central Romana (once owned by Gulf and Western) and the Vicini Group, which are both privately owned, also suffered, but were better able to adapt.

The sugar industry was also hit by reduced access to the US market with a cutback by Washington of import quotas. Fluctuations in domestic US output led to an increase in the Dominican quota to 333,000 tonnes in 1990, but this has again been cut to 232,500 tonnes this year.

At the same time, the Dominican Republic has not made use of preferential access for its sugar to the European market. When it signed the Lome Convention, traditional suppliers said they feared Dominican sugar would depress prices on the EC market. The Dominican government said it would not ship sugar to the EC under preferential terms granted by the Convention.

A more recent setback to the country's industry has been the break-up of the Soviet Union, to which it has been supplying between 50,000 and 225,000 tonnes a year. Industry officials and bankers say there is uncertainty about the future of sales to the Commonwealth of Independent States.

The sugar industry was hit last year by a row over allegations that Haitian children were being used as labourers on farms owned and operated by the CEA. The Dominican government, stung by accusations from human rights groups that it was condoning child slavery, ordered the deportation of thousands of Haitians who, it said, were illegally resident in the country. Government officials say wages in the sugar industry do not encourage Dominican workers, but there appears to be no worry about the supply of labour for the industry.

Rather, Mr Frederico Echineque, executive director of the Dominican Sugar Institute, says that this year production will be higher than last year. The industry is moving into new areas, using the byproducts of the canes for such products as chemicals for the paint industry. But it is unlikely that the industry will abandon production of sugar as its main undertaking. It provides a livelihood for 80,000 people in a labour surplus economy.

Electricity supplies have improved, but the problems remain

Where the lights still go out

THE DOMINICAN Republic's state-owned electricity company must be one of the world's strongest arguments for privatisation. Thanks to its inefficiency, power cuts are a daily fact of life. At the height of the country's economic crisis in late-1990, many users were without electricity for 20 hours a day, writes Stephen Fidler.

As a result, there has been a huge shift to privately-generated electricity. Every important office building, factory and hotel in the country needs a private generator. This is not only hugely inefficient – it also raises the costs significantly of doing business in the country: a generator capable of producing 1,000 kilowatts costs $1m. Capacity in such microgenerators is estimated at around 600-700MW, equivalent to the capacity of the state Dominican Electricity Corporation (CDE).

At its worst, estimated generating capacity of CDE fell to around 400 megawatts. This compares with nominally installed capacity of 1,200MW and demand of closer to 800-900MW.

The crisis prompted President Joaquin Balaguer to replace the head of the CDE, since when there has been an increase in capacity, helped by loans from the World Bank to rehabilitate some electricity plants. Loans from the Inter-American Development Bank are also ready for the rehabilitation of more. As a condition for their help, the international financial institutions insisted that outsiders be brought in to administer the company, a task to be taken over by Fenosa, the Spanish utility.

Offers have been placed to provide a further 600-700MW of privately generated capacity, but it is not clear how much of this will be installed. Government officials make much of the country's hydro-electric capacity which it claims should fill the supply gap. Industry observers, however, reckon the priority use for the reservoirs is irrigation rather than electricity generation, and that hydroelectricity will only provide marginal input to the grid.

For now, improved management and maintenance have raised capacity to an estimated 700MW. This is still insufficient to cover demand and blackouts remain common, but there has been a marked improvement from 18 months ago. The problem remains in the longer term, where there is nothing to stop future managers of the system once again running down capacity through abysmal management and maintenance procedures.

ARTS

CINEMA

A glittering enigma with hypnotic appeal

I have no evidence to put before a court of law, but I believe we are being hypnotised in Krzysztof Kieslowski's *The Double Life Of Veronique*. How else explain the ability of a French-Polish film with a nonsensical plot premise – a girl from Kracow has an exact double in Clermont Ferrand and dies leaving her a legacy of new awarenesses and sensitivities – to enthrall and enchant us like no European film in recent memory?

Hypnotists, we know, often use objects to fascinate and transfix their patients. Likewise Kieslowski. As in earlier films – *Camera Buff, No End, A Short Film About Killing* – the screen is a mystical assault-course of the ordinary made extraordinary. A light-bulb, a glass bauble, a tea-bag floating in hot water: the inanimate world glows as mysteriously as the animate. Through these deceiving sensory spaces, in which rain patterns on a wall seem as tactile as real rain on the face or in which an "innocent" puppet show prophesies or recapitulates real events, Weronica and Veronique (both played by Cannes Best Actress Irene Jacob) step into self-realisation.

Yes, but what is it all about? Neither heroine knows her *Doppelgänger* and they glimpse each other only once, in a demonstration-torn Polish square. Yet like twins they have near-symbiotic tastes, feelings and skills. (Both are gifted classical singers.) They also share a heart ailment which kills Polish Weronica in mid-concert, bequeathing to French Veronique an instant, bewildering sense of loss. The death also precipitates a series of trysts with a young writer and puppet showman (Philippe Volter) who may be a conduit between the dead girl and the living.

Political metaphor-seekers will no doubt spy a fable in which the Eastern bloc's demise arouses a belated sense of kinship in the West, with the artist as mage or mediator. But the film's magic is belittled by pat equations. Kieslowski offers something larger: a vision of the world as an evolving miracle of the imagination, a floating interchange between past, present and future whose panhuman perspective allows each individual tragedy to be redeemed by kindred lives facing kindred challenges.

But even above and beyond such larger decodings, this beautiful film is its own enigma: as cryptic and glittering as the glass ball in *Citizen Kane* (which has a twin here) and endowed with a soaring human radiance, both in repose and in response, by Irene Jacob.

★

Meanwhile, back in Hollywood. You too, like screenwriter Shane Black who sold his script of *The Last Boy Scout* for a record-breaking $1.75m, could earn large sums by submitting seemingly simple action ideas to Hollywood. Just follow Mr Black's guidelines. Whenever anyone is rude to his film's hero – battered, wisecracking detective Bruce Willis – make sure he is punched in the nose. Whenever anyone tries to "fix" an American football game, make sure he is punched in the nose. Whenever anyone is unkind to animals or fails to help an old lady cross a street, make sure he is punched in the nose.

We have never seen so many people punched in the nose. British director Tony Scott, who has become a Hollywood multi-millionaire by directing expensive tripe (*Beverly Hills Cop 2, Days Of Thunder*), gives *The Last Boy Scout* his usual high-gloss visuals. Los Angeles throbs with burnished glamour as Mr Willis and his adopted sidekick Daman Wayans, a black ex-footballer threatened by a cartel of villains, proceed through town bashing and being bashed.

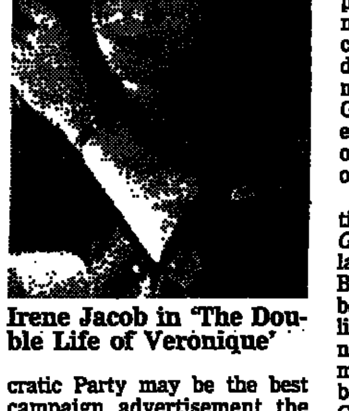
Nose-pokings are supplemented by hand-stabbings, knee-bashings and electric cattle-proddings. And whenever a car is stepped into, we know it will be written off at the end of the sequence. One of our hero's proud past achievements – we see it in flashback – is to have saved Jimmy Carter's life. He was once a presidential bodyguard, it seems, who threw himself between J.C. and a passing bullet. This indication that a man of Willis's timbre once worked for the Democratic Party may be the best campaign advertisement the Republicans have yet had.

THE DOUBLE LIFE OF VERONIQUE
Krzysztof Kieslowski

THE LAST BOY SCOUT
Tony Scott

THE MAN IN THE MOON
Robert Mulligan

CROSS MY HEART
Jacques Fansten



Irene Jacob in 'The Double Life of Veronique'

★

The week's paper-handkerchief franchise is fought over by America's *The Man In The Moon* and France's *Cross My Heart*. In each film a loved one dies, leaving the hero or heroine(s) to cope with that Great Emotional Beyond called bereavement.

The Man In The Moon, I must confess, left me feeling in an alarmingly mushy state. Only the presence of my colleagues prevented me from extracting my own handkerchief at the end and blowing loudly into it. Deep in Louisiana, Sam Waterston and Tess Harper watch their two teenage daughters (Reese Witherspoon and Emily Warfield) grow up and fall competitively in love with the boy next door (Jason London). Then they have to cope with the trauma of a tractor accident.

No narrative manoeuvre is spared to elicit our tears: subplots include a near-miscarriage (Miss Harper's) and the heartbreak rivalry of the sisters. But Robert Mulligan (*Summer Of '42, Bloodbrothers*) directs as if knowing how to throw us straight into the deep end without water-wings and cameraman Freddie Francis stands by to paint the gorgeous backcloth of a Southern summer.

My handkerchief remained unused in Jacques Fansten's *Cross My Heart*, although I might have taken it out to wave in surrender as the film keeps firing the same trite story ammunition at us. When Martin (Sylvain Copans), a fatherless 12-year-old, loses his mother, he tries to conceal her death to avoid being sent to an orphanage. His schoolfriends – what are *copains* for? – gallantly assist the cover-up by arranging lies, alibis and a secret, DIY funeral using an old grandfather clock as coffin.

Amid all these mildly diverting logistics we are never actually told what Martin is feeling. Is he upset by Mum's demise? Indifferent? Pleased? And how he has kept her body for two days in the house without it smelling or developing rigor mortis? (He has no problem dressing her for internment in her best frock). Steven Spielberg, who reportedly wept profusely on first seeing the film, has persuaded Universal to buy the story rights for an American remake. We tremble in anticipation. Even if Mr S irons out the inconsistencies, he is still left with a plot in which plaintive pathos is the main if not only keynote.

★

A final wave to the 1992 Berlin Film Festival, now departing into history. We who were there will remember the fine movies, the mixed weather (snow, sleet, a hint of sun, more sleet) and the sense of Berlin's own history playfully processing itself into a souvenir culture. Did you know you can now buy wooden Russian dolls on the Ku'damm pavements which bear the faces of Gorbachev and Yeltsin? Inside each Russian leader is a series of smaller leaders trying to get out.

Lawrence Kasdan's ambitious, likable fresco of L.A. life *Grand Canyon*, noted in my last report, won the Golden Bear for Best Film. Istvan Szabo's *Dear Emma, Dear Bobe*, likewise noted, gained the runner-up Special Jury Prize. No major honour, I rue, for the best film of the final days, Georgia's *The Beloved*. Mikhail Kalatoschwili – whose grandfather directed the famous *The Cranes Are Flying* – creates a caustic, brilliant pageant out of the Red Army's invasion of Georgia after the October Revolution. The cruelty of war is conveyed not by rhetoric but by a harrowing understatement. Casual executions, passionless carnage, shamefaced betrayals; and the numbed meting out of rough justice by a father who executes his own son after the youngster has betrayed a friend.

A bouquet too, in default of a Bear, for Paul Schrader's *Light Sleeper*. Willem Dafoe and Susan Sarandon star in this lissome crime thriller from the director of *American Gigolo* and *The Comfort Of Strangers*. The movie turns New York into a city of the mind much as *Taxi Driver*, scripted by Schrader, did 15 years ago. It opens in Britain on March 13: more then.

Nigel Andrews

Uncle Vanya

COTTESLOE THEATRE

The National Theatre's new production of *Uncle Vanya* at the Cottesloe is so exquisite that I shall concentrate this review on how such technical excellence is achieved rather than on Chekhov's play.

The production, directed by Sean Mathias, has come up through the National's theatre studio, copiously housed in the Old Vic and adequately endowed by private sources. The studio is being developed as a training ground for British theatre as a whole. That means training not only in acting, but in every detail of how to use a stage. Performers are encouraged to question every word of the text, and there is even a special course in how to wear under-garments that do not show but lend elegance to the clothes on top. Never again should you see a Restoration comedy where the characters are ill-dressed underneath. Perfection is all.

In the case of *Uncle Vanya*, there are other resources to hand: Sir Ian McKellen, for example. McKellen must now be counted as the foremost British actor of our age. Nevertheless, even he must have gained from the studio experience. His Vanya brims with effortless superiority: the secret of such apparent effortlessness, however, is that it requires a vast amount of work behind the scenes. Whenever he is on stage, McKellen not only scores in his own right, he also looks like the captain of the side.

He plays Vanya very quietly, and the rest of the cast perform in the same way. Nothing is shouted that could be spoken softly. Every word, every sound, makes the audience crane forward to hear. Yet it is not the words so much as the movements, the physical presence, that stand out.

Alastair Muir

Ian McKellen and Anthony Sher

Look at the way McKellen wears his corduroy suit, as if he had been born into it as a perfect fit. Watch the way he eats a plum, then wipes his moustache with a handkerchief. See him put on his hat, then look again at the way he walks, relaxes and crawls. There are a lot of physical movements in this production, especially in this part. I do not recall seeing a performance like it.

Yet McKellen is not alone. He is matched, among others, by Janet McTeer's Yelena, the young wife of the elderly professor. Yelena is said in the text to be beautiful. Ms McTeer is certainly stunning: her beauty is of the imperial kind, mixed with an occasional loss of self-confidence. She uses her height to the full: the costuming, and her wearing of it, is superb, for she too descends to the floor.

One of her best scenes comes not with the men, but with Sonya, daughter of the professor by his first marriage and niece to Vanya. Here is a view of real female intimacy. "Do I have silly look on my face?" Sonya asks when she is telling Yelena of her love for the doctor, Astrov. Marvellously, she does. Played by Lesley Sharp, she is up among the stars.

Astrov is often seen as a replica of Chekhov himself. He is played in this production by Antony Sher, who must be one of the hardest actors to discipline to a team performance, particularly when he is not the captain. He has learned from the studio. His best scene comes alongside Yelena when she has realised her love for him. Good as Sher is, he is also magnanimous in allowing Ms McTeer to stand out. Note her sudden onset of breathlessness. Listen also to the ticking of the clock in the background, another of the details in which the production excels.

I have refrained deliberately from discussing the play as such. The character of Yelena is not developed and the piece has an unsatisfactory ending. Yet whatever you may think of Chekhov or *Uncle Vanya*, this production is a total triumph for the art of theatre. The credits extend all the way down the line, even to the watchmen who do not speak. Without the studio approach, it would not have been possible.

Malcolm Rutherford

Kiri te Kanawa/Maxim Vengerov

BARBICAN HALL

The Barbican is busying itself with a celebration of its 10th anniversary, and has launched a glossy series of recitals and concerts to mark the occasion. The festivities began on Monday with an appearance by Kiri te Kanawa – a mixed bag of a recital that stretched from Purcell to Walton via many points in between. It was not, in truth, the kind of a festive event the occasion and the audience of adoring fans expected. The singer's determination to leave the platform for extended intervals between the smallest groups of songs broke what little continuity there was in the first half, which hardly gained any sense of focus until the final groups of songs, by Mozart and Liszt, were gratefully reached.

The opening had been dutiful rather than involved; in Purcell's "The Blessed Virgin's Expostulation" and arias by Gluck (from *Paride ed Elene*), Scarlatti and Piccini, te Kanawa found little sense of line or focus, and adjusted only slowly to the size of the hall (never the best for a song recital). But Mozart's "An Chloë", "Un moto di gioia" and especially "Abendemfindung" brought much more security, as she smoothed out her phrasing and began to introduce nuance and colour; the Liszt selection then, highlighted by "Freudvoll und Leidvoll", was poised and positively succulent.

Duparc shared the second half with Walton. While it is hard to breathe much more life into the three spin-offs from *Facade* with which Kiri te Kanawa ended, her Duparc selection of brought the finest moments of the evening. There is more sensuousness and ambiguity to be woven into "L'Invitation au voyage", but "Extase" and "Phidylé" had the kind of rapt coherence and easeful phrasing one hoped all of the evening would have offered more generously. In the Duparc too Roger Vignoles came finally into his own; after his labours in the ill-fitting accompaniments to the baroque and classical arias, he was able to get to grips with these meaty, rewarding piano parts in a genuinely perceptive way.

Andrew Clements

On Tuesday, when the young Siberian-born violinist Maxim Vengerov appeared with the English Chamber Orchestra, there were a few unsold seats at the furthest edges of the Barbican Hall. That seems worth recording, since it may never happen again. Followers of the Carl Flesch Competition have known about Vengerov since he won it – at 16 – in 1990, and those of us who heard his Wigmore hall debut last May came away astounded and deeply impressed.

He seems a phenomenon of nature, though there is nothing wild about his native woodnotes. On the contrary, his readings are classically faithful, without a hint of performer's self-indulgence (except when that is part of the text, as in his sensational "Carmen" Fantasy at the Wigmore). He just happens to play the violin like someone congenitally meant for it. Discussing "technique" and "control" would seem out of place: no doubt Vengerov has *learnt* things since he first took the instrument up, but it must have been like learning to walk and talk. His violin speaks as directly and effortlessly in "difficult" passages as in plain melodies; his big, forthright tone carries all the expressive precision of a human voice.

His Mendelssohn Concerto, ably supported by the ECO under Yan Pascal Tortelier, was a model of brilliant simplicity. Everything in his part *sounded*, and always to a lucid purpose – the weightless virtuoso flights, the heartfelt double-stopping, the sweetly radiant line of the Andante. No touch of *Schmalz* there, though a few passionate curves reminded us that Vengerov is Russian; he traced the idyll with rapt, selfless attention. His tempo for the finale was a clear notch above what most violinists will risk, and yet the music danced easily. Better still, he gave full, intrepid value to Mendelssohn's "Presto" for the first-movement coda: it made perfect structural sense *and* a dazzling sound.

David Murray

Andy Hamilton

THE ORANGE, NORTH END RD, W14

That a saxophonist should still be gigging into his 73rd year is not remarkable. Contrary to popular perception, jazz musicians often wear well despite the rigours of a peripatetic life. Trumpet players Harry "Sweets" Edison, Doc Cheatham and Yank Lawson, for example, appear indestructible. What is remarkable is that a Brummie tenorist should find popular acclaim – and a record deal – so late in a long career. Perhaps things would have been different had this gentle leader and composer not confined himself to the Midlands, and The Bear pub in particular, for the last 40 years.

However, since the much vaunted release last year of the star studded "Silvershine" album – special guests include pop singer Mick Hucknall as well as top young London based jazzers – the rest of the country has been exposed to the mellow tones and romantic history of Andy Hamilton. Born in North Jamaica he left home in his teens to find labouring work on the US East coast and supplemented his income with big band playing. Returning to the West Indies in the Forties he signed up as resident band leader aboard the yacht Zaka and wrote the tune "Silvershine" for its owner, Errol Flynn. In 1949 he came to the UK, en-route for the States, and settled in Birmingham where he has stayed, and played, ever since.

Although he has chosen not to travel far he has kept good company and regularly plays alongside visiting names such as Edison as well as his own Blue Notes. In West London for two nights he retained precocious pianist Jason Rebello, Mark Mondesir on a drumkit twice his size and percussionist Nana Tsiboe from the album lineup, supplemented by Trevor Lines on string bass. A long absence since those dates could be to blame, but they made a wobbly start to a set consisting of common and uncommon standards as well as Hamilton's own calypso soaked compositions.

But Hamilton is an uncomplicated and soulful player and he gradually rounded the edges off his accompanist's eager clatter with long (all things considered), warm solos spaced out by absent-minded study of the playlist. Ben Webster was a major influence in his learning and the old man's ballad playing has a similar considered, mellow burr. It is laid back further by the irresistible sounds of the Caribbean which creep into even the most North American of tunes – "Take the 'A' Train" and "Juggernaut". But the ballads see Hamilton at his soothing and breathy best and "Silvershine", revisited on the album after a forty year absence from his repertoire, sums up a life's work.

Midlands' music lovers should be thankful he never acquired that US visa back in the early 1950s.

Garry Booth

INTERNATIONAL ARTS GUIDE

TODAY'S EVENTS

■ BARCELONA

Palau de la Musica 21.00 Boris Belkin is director and violin soloist in a programme of music by Bach, Vivaldi and Mozart. Tomorrow, Sat and Sun morning: Garcia Navarro conducts the Barcelona City Orchestra in Tchaikovsky's First Piano Concerto (soloist Horacio Gutierrez) and Beethoven's Sixth Symphony (268 1000)

■ BERLIN

Schauspielhaus 20.00 Hiroshi Wakasugi conducts the Berlin Symphony Orchestra in Brahms' Violin Concerto (soloist Vadim Repin) and Schubert's Great C major Symphony, also tomorrow. Sat: Daniel Barenboim conducts the BPO in Josef Tal's Fifth Symphony and Brahms Violin Concerto, with Itzhak Perlman (East Berlin 2090 2156)
Philharmonie Kammermusiksaal 20.00 Thomas Hengelbrock conducts the Freiburg Baroque Orchestra and RIAS Chamber Choir in Bach's B minor Mass, with soloists including Nancy Argenta (West Berlin 8256 160). Tomorrow: song recital by Dmitri Hvorostovsky. Sat: Barbara Hendricks (2548 8232)
Staatsoper unter den Linden 19.30 Lortzing's comic opera Zar und Zimmermann. Tomorrow: Fidelio with Eva-Maria Bundschuh and Klaus König. Sat: first night of new production of Sleeping Beauty, choreography by Rudolf Nureyev. Sun: Falstaff (East Berlin 2004 762)
Komische Oper 19.30 Joachim Willert conducts Harry Kupfer's production of La bohème. Tomorrow: Le nozze di Figaro. Sat: Cav and Pag. Sun: Idomeneo (East Berlin 2292 555)
Deutsche Oper 19.30 Peter Schaufuss' production of La Sylphide. Tomorrow: three choreographies by Christopher Bruce. Sat: Béjart's Ring Round the Ring. Sun: Siegfried (West Berlin 3410 249)

■ BOLOGNA

Teatro Communale 20.30 Gianandrea Gavazzeni conducts Roberto Devereux, with Lucia Aliberti and Vincenzo La Scola, also Sun. Tomorrow in Chiesa di S Domenico and Sat in Stabat Mater dell'Archiginnasio: Riccardo Chailly conducts Rossini's Stabat Mater (529999)

■ BRUSSELS

Theatre National 20.30 Giovanni Macchia's new play Le Silence de Molière, about Molière's reclusive daughter Madeleine. The cast is led by Dominique Valadie and directed by Jacques Nichet. Tonight's performance is a preview. Opens tomorrow, runs daily except Sun and Mon till March 14 (217 0303)
Palais des Beaux Arts 20.00 Maurizio Barbacini conducts a concert performance of Rossini's La donna del lago, with a cast including Jane Eaglen, Martine Dupuy and Raul Gimenez. Repeated on Sun in Antwerp (219 6341)

■ FRANKFURT

Opernhaus 19.30 Stefan Soltesz conducts Peter Mussbach's production of Ariadne auf Naxos, with Mechthild Gessendorf in the title role. Sat: La traviata. Sun: Die Zauberflöte (236061)
English Theater Kaiserstrasse Tomorrow is the first night of a new production of Sleuth, the thriller by Anthony Shaffer. Runs daily except Mon till April 25 (2423 1620)

■ GOTHENBURG

Konserthus 19.30 James Loughran conducts the Gothenburg Symphony Orchestra in Lidholm's Kontakion, Britten's Serenade for tenor and horn (soloists Neil Mackie and Per Goran) and Dvořák's New World Symphony. Repeated tomorrow at 18.00 (167000)

■ THE HAGUE

Dr Anton Philipszaal 20.15 Gunther Herbig conducts the Residentie Orchestra in Beethoven's Fourth Piano Concerto (soloist Lazar Berman) and Wagner extracts. Repeated tomorrow (360 9810)
Danstheater 20.15 Nederlands Dans Theater in William Forsythe's Steptext and three choreographies by Ohad Naharin. Repeated tomorrow, Sat, Sun and next Wed. The production can also be seen in Amsterdam on March 6, 7 and 8 (360 4930)

■ LONDON

THEATRE

● Moby Dick: a new musical based on Hermann Melville's classic tale and written by Robert Longden and Hereward Kaye. The story follows the attempts of an impoverished girls' boarding school to raise funds by mounting a musical in the school swimming pool. Now previewing, Press night March 11 (Piccadilly 071-867 1118).

● The Pocket Dream: Mike McShane and Sandi Toksvig star in this comedy about a dissolving theatre company's attempts to stage A Midsummer Night's Dream. Written by Sandi Toksvig and Ellie Brewer, and directed by Pip Broughton. Now previewing, Press night next Wed (Albery 071-867 1115).

● The Heiress: Frank Finlay, Nicola McAuliffe and Anthony Head star in Henry James' play. Limited season till March 14 (Churchill Theatre Bromley, 18 mins by train from Victoria, 081-460 6677).

● Murmuring Judges: David Hare's new play about the British judiciary is showing tonight, tomorrow and Sat in the Olivier. The National Theatre repertory also includes Tennessee Williams' 1961 play The Night of the Iguana directed by Richard Eyre (tonight in the Lyttelton), Edward Bond's The Sea starring Judi Dench (tomorrow and Sat) and Tony Kushner's new play Angels in America (tomorrow and Sat in the Cottesloe). Ian McKellen and Antony Sher star in Chekhov's Uncle Vanya, opening next Wed (071-928 2252).

● For ticket information about all West End shows, phone Theatreline from anywhere in the UK: Plays 0836 430959 Musicals 0836 430960 Comedies 0836 430961 Thrillers 0836 430962

MUSIC

Covent Garden 19.00 Bernard Haitink conducts Johannes Schaaf's production of Don Giovanni, with Thomas Allen in the title role. Tomorrow: Les Contes d'Hoffmann. Sat: Kenneth MacMillan's Manon (071-240 1066)
Coliseum 19.30 James Holmes conducts David Pountney's production of Street Scene. Tomorrow: final performance of Königskinder (071-836 3161)
Royal Festival Hall 20.00 Steve Reich and his group play four of his most popular works: Drumming (Part 1), Electric Counterpoint, Sextet and Different Trains. Tomorrow: Yehudi Menuhin conducts the Hallé Orchestra in Vaughan Williams' London Symphony. Sat: Simon Rattle conducts the CBSO (071-928 8800)
Barbican 19.45 Michael Tilson Thomas conducts the LSO in music by Strauss, Bottesini and Brahms. Sat: Rossini 200th anniversary concert, with soloists Della Jones and Judith Howarth (071-638 8891)

■ NEW YORK

Carnegie Hall 20.00 Lorin Maazel conducts the Vienna Philharmonic Orchestra in Brahms' Third Symphony, Strauss' Till Eulenspiegel and Waltzes from Der Rosenkavalier. Tomorrow: Maazel conducts Mozart's Symphony No 40 and Mahler's Fifth (247 7800)
Avery Fisher Hall 20.00 Kurt Masur conducts the New York Philharmonic Orchestra in Strauss' Metamorphosen and Beethoven's Third Symphony, also tomorrow at 11.00 and Sat at 20.00 (875 5030)
Metropolitan Opera 19.00 First performance this season of Don Carlo, conducted by James Levine, with Aprile Millo, Leo Nucci and Samuel Ramey. Tomorrow: Rigoletto. Sat afternoon: Il barbiere di Siviglia. Sat evening: Tannhäuser (362 6000)

■ PARIS

Châtelet 20.30 Frankfurt Ballet in William Forsythe's full evening choreography Artifact. Repeated tomorrow and Sat (4028 2840)

■ ROME

Teatro Olimpico 21.00 Brahms' Liebesliederwalzer, performed by Chrisztina Laki, Julia Hamari, Zeger Vandersteene and Siegfried Lorenz, with pianists Levente Kende and Heide Hendrickx (3234 890)
Teatro dell'Opera 20.30 Daniel Oren conducts Franco Zeffirelli's production of La bohème. Also Sat, Mon and Wed (488 3641)

■ UTRECHT

Vredenburg 20.15 Bernhard Klee conducts the Royal Concertgebouw Orchestra in Schumann's Piano Concerto (soloist Deszo Ranki) and Dvořák's Eighth Symphony. Tomorrow: Edo de Waart conducts the Netherlands Radio Philharmonic in a Mendelssohn and Brahms programme with Cécile Ousset piano soloist. Sat: Graeme Jenkins conducts Rakhmaninov's Second Symphony (314544)

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(all times CET)

MONDAY TO FRIDAY

CNN
2000-2030, 2300-2330 World Business Today – a joint FT/CNN production with Grant Perry and Colin Chapman

Super Channel
0830-0900 (Mon) FT East Europe Report – weekly indepth analysis from FTTV
0830-0900 (Tues) Spiegel TV – Intl Report – the real world of documentary
2130-2200 (Tues) Media Europe – what's new in European media business
2130-2200 (Wed) FT Business Weekly – global business report with James Bellini
0830-0900 (Thurs) Media Europe
2130-2200 (Thurs) FT Eastern Europe Report
0830-0900 (Fri) FT Business Weekly
2130-22.00 (Fri) Spiegel TV – Intl Report

Sky News
0130-0200 (Mon), 2130-2200 (Thurs), 0530-0600 (Fri) FT Business Weekly

SATURDAY

CNN
0900-0930 World Business This Week - a joint FT/CNN production
1900-1930 World Business This Week

Super Channel
1930-2000 FT Eastern Europe Report

SUNDAY

CNN
1030-1100, 1800-1830 World Business This Week

Super Channel
1800-1830 FT Business Weekly

Sky News
1330-1400, 2030-2100 FT Business Weekly

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Mr Keating's election bid

MR PAUL Keating waited a long time to succeed Mr Bob Hawke as Australia's prime minister; so long that his first throw of the dice also represents his last chance to win back a disaffected electorate. Under Australia's three-year cycle, elections must be held by the middle of next year – the fourth time the Labor party will have sought re-election since coming to power in 1983. To win, Mr Keating must produce a tangible improvement in the economy, for whose difficulties he himself bears considerable responsibility in his former role as Treasurer.

The long leadership struggle last year contributed to a general view in Australia that the Labor government was worn out and bankrupt of ideas. But a deep, two-year recession, which has pushed unemployment to 10.3 per cent, has been the more important underlying cause. The party's loss of popularity may be irretrievable.

Naturally enough for a man who has little more than a year to stamp the contrary impression on voters, the prime minister declared that the package of measures he announced yesterday would "stir the imagination" and lead to "a turning point in our economic history and our social history". The measures do neither of these things. Instead, they offer a short-term boost to the economy – actually rather smaller than markets had been expecting, but with the promise of personal tax cuts after the elections – while continuing the process of structural reform set in train by Mr Hawke and Mr Keating in his earlier incarnation.

Regional market

The measures reflect Mr Keating's long-standing objectives. He has played a key role in the opening up of the Australian economy, including the floating of the Australian dollar, tariff reductions and tax and banking reform. Mr Keating has now created a regional aviation market. He has removed the requirement for 50 per cent Australian equity in mining ventures and raised the threshold at which foreign mining investments require official scrutiny. And he has eliminated most restrictions on foreign banks' entry into Australia. At the same time, he deserves credit for resisting strong domestic pressure to slow tariff reductions.

The other side of Mr Keating's record is one of substantial responsibility for a boom-bust cycle. True, fluctuating commodity prices have added difficulties. But Mr Keating misjudged policy, particularly in pulling on the monetary reins too tightly, so adding to the depth of the recession. Now, monetary policy has eased (though real interest rates remain high) and fiscal policy is being relaxed too.

Implausible move

To move from zero to 4¾ per cent economic growth in one year, and to maintain growth around that level, seems implausible. If it were achieved through increased exports, it would arouse no concern. But the indications are that the growth is projected to come more from domestic demand. This would seem a recipe for a worsening current account, now projected to rise from 3.75 to 4.5 per cent of GDP next year and difficulties with Australia's foreign debt. The currency, which had already weakened in recent weeks ahead of the statement and dropped further yesterday, could come under pressure. Mr Keating's projection of a jump in inflation, from the current 1.5 to 3.5 per cent next year, could also be too low.

Even so, the gamble represented by measures actually undertaken yesterday is not huge. The A$2.3bn job-oriented stimulus is concentrated on infrastructural projects, which are badly needed. The budget deficit for this year, projected at 1.8 per cent of GDP, is small. If Mr Keating can strike a wage deal with the unions, the lid will be kept on inflation.

Mr Keating cannot be accused of betting the economy to save his political future. Most of the steps he has taken are sensible, even if the economic projections are shaky, as is their wont. But he has not shown that he will have fresh ideas for revitalising the Labor party, should he win re-election. The Australian electorate may need a clearer sight of his vision before giving Labor another term.

Developing cars across borders

ACROSS the industrialised world, multinationals are dispersing their research, design, development and engineering activities from single or dual locations to multiple ones. Nissan has added development centres in the US and now Europe to its base in Japan. Hewlett Packard now develops personal computers in France as well as California. Glaxo does drugs research in six countries as well as Britain.

This trend is part of a wider organisational pattern in which formerly centralised activities are starting to be pushed out to multiple centres around the globe, in as balanced a fashion as possible.

So at first sight Ford of Europe seems to be turning back the clock by considering a reallocation of tasks between its British and German development facilities which could relegate the UK side to junior status.

The exact nature of the company's plans are unclear. But any shift in the power balance towards Germany would be a backward step from a narrow UK point of view. Though far fewer jobs are likely to be transferred in the short term than the 1,200 mooted in an internal discussion document, the issue is of equal national economic significance to the threatened closure at some stage of one of Ford's UK assembly plants.

A shift in Ford's development balance towards Germany would be much more controversial than General Motors' 1970s transfer of its Vauxhall's development responsibilities activities to its Opel offshoot in Germany. It would be a signal to other multinationals, existing and emergent, to consider doing likewise – to the considerable detriment of employment prospects for British graduate engineers, and of the UK economy.

Natural advantage

Germany already has a natural advantage in its reputation for the supply and quality of development engineers, despite their higher salary levels and social costs. Considerable infighting was needed within Sony last year for its UK subsidiary to persuade Tokyo to locate a new European television development centre in Wales instead of Germany.

Yet, from a corporate point of view, Ford's deliberations are not only understandable, but arguably overdue. The point overtly at issue is "co-location": the need to locate more of its different functional specialists on particular projects together, in either Germany or Britain, so that they can work more effectively in multi-disciplinary teams in order to slash Ford's product development times and costs to Japanese levels.

Too complex

Some worldwide development networks work well, but Ford's is arguably too complex for an industry where projects are so large. With Britain and Germany, plus Detroit and its Mazda affiliate in Japan, it now has four centres to co-ordinate where ideally only three would do. Within Europe, Ford's extra complexity is said to incur a 10 per cent cost penalty and requires over 250 people more than the company would otherwise need.

Deeper motives may also be contributing to the product development debate. Put starkly, Ford's management seems increasingly fed up with its problems in Britain. Ford's UK factory productivity has been improved after years of painful effort, but despite similar levels of capital intensity, it is still lower than at the company's continental European plants. The significance of such productivity gaps was underlined yesterday by a comparative Anglo-German study from Britain's National Institute of Economic and Social Research.

In addition, Ford is now making heavy losses in the UK, in contrast with its performance in Germany and elsewhere on the continent. With eastern Europe also beckoning, a shift of some of the company's UK development activities to Germany seems not only natural, but overdue. Ford of Europe may have taken far too long to get to grips with many of its problems, but at least it is moving on this one.

An uncomfortable conclusion for Britain, perhaps. But, to misquote the famous saying about General Motors, what's good for Ford is not necessarily good for Britain.

Andrew Fisher and **Ariane Genillard** on German investment in Czechoslovakia

Eastern promise

Driving west from Prague, the elegant capital of Czechoslovakia, to the grimy industrial city of Pilsen, the name of Nuremberg appears on motorway signs.

The mention of this German city along Czech roads is a striking symbol of the historical links between the two countries, which will be strengthened today when Chancellor Helmut Kohl arrives in Prague to sign a Friendship Treaty with Czech President Vaclav Havel.

Though German occupation of part of Czechoslovakia during the second world war severely damaged the relationship, and Czechoslovakia's subsequent 40-year domination by communism put it beyond west Germany's reach, the economic opportunities created by the end of the cold war are helping to heal the wounds between the two neighbours.

In the past two years, nearly $1bn of foreign investment has flowed into Czechoslovakia, with Germany accounting for about two-thirds. German industrial giants such as Volkswagen, Siemens and Mercedes-Benz have led the investment charge, but smaller companies are now moving in.

What attracts them is Czechoslovakia's long industrial tradition – the province of Bohemia was the industrial heartland of the Austro-Hungarian empire – as well as its engineering skills, low wages, proximity, and access to markets in eastern Europe.

For its part, Czechoslovakia needs foreign investment if it is to attain western levels of efficiency and prosperity. The Prague government has opened up the economy, curbed inflation to an annual rate of about 2 per cent, and started the privatisation process. "The Czech republic was always part of western European markets," says Mr Karel Spacek, finance minister of the Czech republic, which exists in a fragile federation with the smaller Slovak republic to the east. "If you look at the map, Prague is more to the west than Vienna."

While Hungary has drawn the lion's share of western investment in eastern Europe, mostly from the US, German companies tend to favour Czechoslovakia. They cite its cultural similarities – Czechs often speak German and have a reputation for industriousness and orderliness – and the fact that the country's industrial base, with its emphasis on engineering, is similar to their own. Shortcomings in the areas of management, design and marketing are seen as opportunities. The main reasons for business interest are:

- Labour costs. Wages are about a tenth of those in Germany, averaging about 4,500 crowns (DM250) a month. High wage claims in Germany have prompted talk among industrialists about job losses and falling competitiveness.

While east German labour is still cheaper than in west Germany, the gap is fast being narrowed in the wake of unification. The generous terms at which old East German Marks were replaced by D-Marks sharply raised industrial costs in eastern Germany. This increase was compounded by steep wage rises. Thus Czechoslovakia is becoming the low-cost location that east Germany is ceasing to be.

- Industrial skills. Productivity is below western standards. But German companies are impressed by local engineers and workers and have promised to raise output and roughly to maintain employment. "They need money to improve their plants and they need better production and business organisation," says Mr Bernhard Weiss, a Siemens manager responsible for a joint rail venture with Skoda Pilsen, the engineering group. "But their workers know how to use modern machinery."

Mr Volkhard Köhler, deputy chief executive of Skoda cars, a separate company, says: "We're interested in doing more and more development here in Czechoslovakia."

- Access to eastern Europe. German investors foresee a growing demand for transport and other engineering products in the east. Overhauling the infrastructure will require huge investments. By combining their skills and contacts, German and Czech companies hope to profit from this enormous long-term potential.

It is this long-term approach which has helped German companies gain an edge over rivals such as France's Renault, which lost out to VW and Mercedes in joint ventures with Skoda cars and Avia trucks, and ABB, the Swiss-Swedish concern which hoped to link up with Skoda Pilsen but was beaten by Siemens.

But the German strategy has involved spending heavily on the plants of Czech partners to upgrade production to western standards.

- Volkswagen has spent DM620m on its 31 per cent of Skoda cars and has management control. It will lift its holding to 70 per cent in 1995. By 2000, it intends to invest some DM9bn, more than doubling output to about 450,000 cars a year in the mid-1990s.

Mr Köhler admits Skoda's image abroad is better than at home, where many people now prefer western cars. But VW sees Skoda as a strategic addition to its range, becoming the northern equivalent of its low-priced Spanish-built Seat in western and eastern Europe.

- Siemens has a twin-track strategy, concentrating on the expansion of Skoda Pilsen's production of locomotives for eastern Europe, and the improvement of its power station technology. It will also help Skoda bid for mass transit contracts – Siemens and Skoda have already won an order to re-equip the Prague Metro – and provide sub-contracting work for its international energy business.

Siemens is taking 57 per cent of Skoda Pilsen's $170m power generation business, its biggest division. Framatome of France will have 10 per cent. "We wanted to broaden our range of products," says Mr Jaroslav Mestanek, vice-president (commerce) at Skoda Pilsen. In the long run, this means access to Siemens' know-how in environmentally-advanced turbine technology. "We couldn't span the next two years without Siemens," Mr Mestanek says.

On the rail side, Siemens is bringing in the transport activities of Krupp and Krauss-Maffei, in which it is already a partner. "The idea is to develop competence as a full-line supplier," says Mr Weiss. Skoda, which built 2,500 locomotives for the former Soviet Union, will provide the mechanical expertise, with the German companies contributing electrical and other equipment. The Germans will have 51 per cent of the $105m venture.

- Mercedes aims to carve out up to 30 per cent of the truck market in eastern Europe – the same as it has in the west. Mr Helmut Werner, head of the truck division, reckons the potential market in the east could exceed 800,000 trucks above two tonnes a year.

The Daimler-Benz subsidiary plans to invest DM350m in the plants of Avia and Liaz, the Czech truck makers, in the next five years, lifting its minority stake into an eventual majority. The production goal of the three-way venture is 27,000 small, medium, and large trucks a year in 1997. The present Avia and Liaz trucks will be phased out. This is a pill the Czech companies have had to swallow to survive. "We have to be realists," remarks Mr Vaclav Bohac, Avia's finance director.

Not surprisingly, the preponderance of German investment has led to charges in Czechoslovakia that Germany's economic influence could become too powerful. Criticism has mostly come from opposition politicians trying to arouse anti-German sentiment against the government and its free-market economic policies.

Adding to the public interest, and introducing a controversial new element, have been the requests by Mercedes last month for high duties on imported trucks and a long tax holiday. The Czech government, which approves all large joint ventures, has objected to such demands, which Mercedes insists are only a basis for negotiations.

The heat generated by Mercedes' tactics shows the sensitivities involved. Mr Spacek, the Czech finance minister, says the Czech government will accept the best offer of foreign investment, no matter where it comes from. But he admits that given equal offers, a non-German company would be favoured so as to broaden the investment spread. "We want capital from other countries, not just Germany."

German executives know they have to tread carefully. Memories of the second world war linger. "The war was the beginning of the end of Czechoslovakia's independence," says VW's Mr Köhler. But many industrialists in Czechoslovakia are prepared to forgive and forget. "That was history. We've got to think about the future," concludes Mr Mestanek of Skoda.

OBSERVER

Barclays' German catch

■ Is Britain's biggest bank a little too impressed with blue blood? When Barclays purchased the exclusive Munich private bank Merck Finck in 1990, German financiers were fascinated to see how the Brits would fare; the former proprietor Baron von Finck was no longer a shareholder, and Adi Kracht, the man who really ran the bank, left shortly after.

Now Barclays is delighted to have landed Michael von Brentano as Merck Finck's fifth partner and overall head of investment banking, including the BZW operation, in Germany. The former head of Deutsche Bank Capital Markets in London, von Brentano comes from a suitably well-known German family – uncle Heinrich was foreign secretary under Adenauer.

Before his 17 years at Deutsche, he spent a decade as director of private bank Berliner Handels Gesellschaft (now BHF Bank). He is also a confirmed anglophile – irritating intensely other German bankers during his chairmanship of IPMA, the Euromarkets trade association, for his relentless defence of London and its interests. And he is an old friend of BZW chief executive David Band from the latter's time at JP Morgan.

The trouble is, he is aloof and very difficult to work with, and there is the fact that, at 57, he surprised other bankers by taking early retirement from Deutsche Bank. "He may open some doors, but he is no longer at the cutting edge," is the assessment of one prominent German banker.

Indy-cisive

■ It is hard to quibble with Sir Ralf Dahrendorf's appointment as chairman of Newspaper Publishing, the owners of The Independent. Currently warden of St Antony's College, Oxford, he has been variously a German politician, European Commissioner and director of the London School of Economics. He even sits on the board of Glaxo, Britain's biggest company.

A member of the great and the good, Dahrendorf is a fine figure head and his Northern European temperament should help balance the boardroom contributions from La Repubblica and El Pais, the Indy's two important Latin shareholders. However, whether an Anglo-German sociologist is the best man to have at the wheel of a newspaper if there were ever to be a financial crisis is debatable. Meanwhile, the equally important issue of splitting Andreas Whittam-Smith's role as chief executive and editor still needs to be resolved.

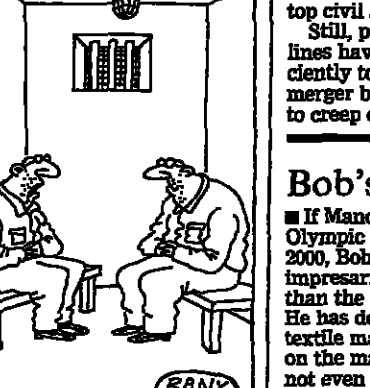
Translation

■ "Internationalisation" has been a wildly popular word in Japan these last few years – particularly among leading companies which have been keen to appoint a vice-president for dealing with all things and people foreign.

Mitsubishi Corporation, the trading house at the centre of the Mitsubishi group, yesterday went one better, choosing a Harvard-educated "internationalist", Minoru Makihara, 62, as its president.

Makihara, who joined Mitsubishi's marine products division in 1956, worked in London for eight years and, more recently and probably more importantly for a Japanese trading house, has spent the past few years in the US, serving as resident senior managing director.

Having headed a Japanese chamber of commerce in New York, Makihara has a proven record as a man with whom US companies can deal. And while Japanese executives are often reluctant to voice opinions on matters of international controversy, there will clearly be an important role for a corporate spokesman whose sometimes ironic thoughts will not need translation for Washington's benefit.



"I still think of Lord Lane at slopping out time"

Public affairs

■ Graham Mather, general director of the Institute of Economic Affairs, has found a novel way of rebuffing those who accuse him of getting too cosy with the Tory party. He will today host a joint seminar at the Café Royal with Demos, a new left-leaning think-tank, on the future relationship between the public and private sectors. Demos, to be formally launched in the autumn, unites a diverse group of movers and shakers who say they are fed up with the narrow limits of traditional political debate.

The event, which is fully booked, has certainly attracted a wide range of speakers. The gathering includes Sir Len Peach, director of personnel at IBM, Marianne Neville Rolfe, chief executive of the Civil Service College, Sir Peter Kemp, architect of the Whitehall Next Steps initiative, Sir Alastair Morton, chief executive of Eurotunnel and Elizabeth Symons, high-flying general secretary of the FDA, the top civil servants union.

Still, political demarcation lines have yet to erode sufficiently to allow talk of a merger between the two tanks to creep onto the agenda.

Bob's good job

■ If Manchester wins the Olympic Games in the year 2000, Bob Scott, the theatrical impresario, will deserve more than the standard knighthood. He has done more than any textile magnate to put the City on the map again, and he is not even a local.

To help build bridges with the International Olympic Committee he has both a former British High Commissioner and an erstwhile British ambassador on the Manchester team. The latter is named simply in the team's bumph as David Scott and is described as having represented Britain in "several African countries".

Very diplomatic, since this is Sir David Scott, ambassador to South Africa in 1976-79 and Bob Scott's dad. Fortunately, South African connections are no longer an Olympic kiss of death.

Girl talk

■ Hardly a week goes by, it seems, without news of another woman scaling a bastion of Britain's male-dominated establishment. On Monday, Lady Shirley Littler was given the chairmanship of the Gaming Board. Yesterday, J Sainsbury, the well-connected grocers to the middle classes, proudly put on display its first female finance director – 40-year-old Rosemary Thorne.

Now if the Old Lady of Threadneedle Street Bank was ever to allow a younger lady to sit on its Court of directors that really would be progress.

Leading light of the north

David Marsh on the bitter-sweet renaissance of Manchester

Ensconced in the Victorian splendour of Manchester's town hall, Mr Richard Leese, deputy leader of the council, displays dour optimism about the city's future. "There is a lot of reason to be gloomy, but a lot to be hopeful about too."

At the moment it is hope which predominates. The government yesterday gave its backing to the city's bid to stage the 2000 Olympics. The Arts Council has decided to award Manchester the title of City of Drama for 1994, an accolade which reinforces its claim to be Britain's foremost arts centre outside London.

The award from the Arts Council puts Manchester centre stage in a series of artistic events being staged around Britain to celebrate the run-up to the millennium.

The city has already put forward 150 ideas for the bonanza, culled from 80 organisations ranging from inner-city youth clubs to established companies such as Manchester's Royal Exchange theatre. Proposals include a spectacular celebration of the 150th anniversary of the opening of the Manchester ship canal.

The 10-year-old Hacienda night club, a former yacht warehouse that has become a youth cult centre for Paris and Amsterdam as well as a wide swathe of England, will display hallucinatory 3D videos.

The range of proposed events bears testimony to the diversity of culture to be found in Manchester, home of British repertory theatre. Audience surveys indicate that 300,000 of the 2.5m inhabitants of the Manchester conurbation attend a theatre performance at least twice a year.

But it is not just in the cultural arena that Manchester is enjoying a revival. Since the early 1980s, it has started to throw off its image of dust and grime. In the city centre, the last decade has seen extensive refurbishment and development of offices, shopping malls and public buildings.

The city is also attracting new investment in high technology industries and services which is offsetting long-term decline in its traditional manufacturing sectors. Computer and chemical businesses are thriving, replacing coal and steel. When ICI reorganised its management structure last year, it chose Manchester ahead of continental Europe and the US for the headquarters of its speciality chemicals division.

For all the obvious chutzpah, however, there are plenty of bleak spots. A total of 16 per cent of the workforce is without a job, almost double the national average. Social problems such as poverty, racial tensions and drug abuse fester on the run-down housing estates – such as the notorious Moss Side – which surround the Mancunian core.

Manchester's city government is addressing these problems with policies intended to invigorate the local economy.

In a move away from the more confrontational and ideologically-motivated policies of earlier in the 1980s, the Labour council now takes a more pragmatic approach to fostering capitalism and local enterprise. Councillor Leese complains that Manchester's higher-income professional classes escape in the evenings in a flood of smart cars sweeping southwards to their homes. But he accepts that creating wealth must take priority over distributing it.

Mr Simon Sperryn, the chief executive of the city's chamber of commerce, has been attempting to bring a Japanese trade centre to the city. He stresses the blow to Manchester's psyche caused first by its pre-war fall from world eminence in textiles, and then – in recent decades – by closures in engineering, steel and coal. But he says that industry has become more broadly based during the last 10 years. "We now have a bit of everything."

As part of its effort to emphasise its confidence in the future, the city has launched a bid to become the site of the European central bank. "People who come to work here will not have to think they're going to a wilderness," stresses Mr David Baker, the ex-Bank of England official who is spearheading the campaign.

The focal point of plans for new sports facilities to support the 2000 Olympics bid is eastern Manchester, scarred by the closure of factories and industrial plants since the 1970s.

In the late 1980s, Manchester bid for the 1996 Olympics, with hardly any help from London. This time – from Mr John Major, the prime minister, downwards – "the attitude from central government has been phenomenally positive," says Mr Neil Fountain, head of the council's economic initiatives department.

Among competitors for the 2000 Olympics prize, the most serious contender is probably Berlin, a city with which Manchester shares some intriguing features. There is the same vibrancy springing from past grandeur – and a certain frisson that stems from the extremes of rich and poor.

Speaking from his residence in the north of the city – overlooking rolling meadows and the site of a disused colliery – the Bishop of Manchester gives a bitter-sweet summing up of the state of the city's soul:

"Manchester is a wonderfully vigorous and exciting part of the world to work in. But when you go to a drinks party and meet people responsible for the life of the city and ask them where they live, they say they come from the south – beyond the city boundary."

Search for a cure to economic chill

Deborah Hargreaves and David Lascelles examine how BP plans to recover after lean times

The marble reception hall of British Petroleum's newly refurbished headquarters in the City of London has only one problem. There is no heating. As a result the management of one of the world's largest oil companies has had to install a number of small gas stoves to beat back the cold.

This temporary unsightliness might be a parallel for BP's recently well-publicised difficulties: a blue-chip company undergoing what its management claims is a spell of seasonal difficulty, the chill being provided by recession in its principal markets rather than the weather.

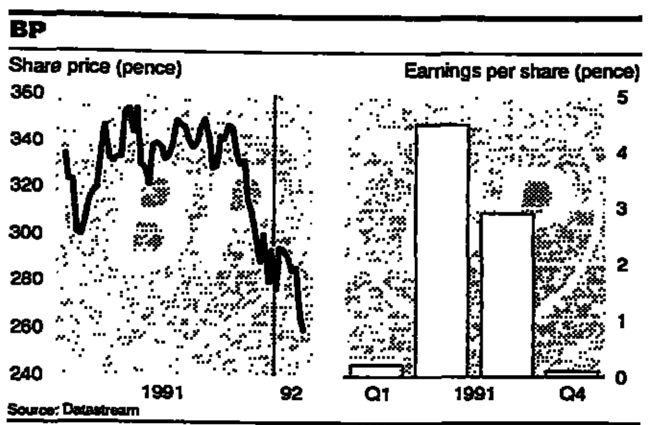
The company's poor results for the final quarter of last year, when profits fell by 85 per cent and the dividend remain unchanged, drove home to the stock market how vulnerable BP was to the prevailing economic climate. But oil being a business with long lead times, where investments only pay off after several years, the deeper question is whether BP can spring back when conditions improve.

Some industry observers are doubtful. They point to the company's heavy load of debt, its exposure to depressed oil prices, and its modest presence in the Far Eastern market, which represents one of the few areas of oil industry growth. BP's executives accept that there is something to these concerns, although they maintain that the market has exaggerated their importance.

The City has focused its concern on the company's long-term debt burden. Its debt to equity ratio, an important measure of corporate indebtedness, rose to 69 per cent at the end of last year, compared with a modest 11 per cent at Shell, the rival integrated oil company. The company would like to try to stop it growing above this level, but has ruled out a rights issue in the medium term to raise cash to pay off some of the debt.

"I'm not greatly concerned about our debt levels, but my gut reaction is that we're at a prudent limit," said Mr Bob Horton, BP's chairman. "We need to adjust our capital expenditure and accelerate cost-cutting to stay within that level."

The need to rein in debt means that BP must set careful priorities in allocating financial resources. The company needs to balance capital expenditure, which is vital for future growth in the oil industry, with cash needed for debt reduction. It can buy itself some leeway by paring operating costs extensively: it is planning to save £750m by cost-cutting at its three main business divisions by 1994.



There is currently a gap in funding of about £1.5bn. BP generated £4.2bn in cash from its operations last year and spent about £2bn on interest payments, tax and dividends. This leaves a shortfall, since it is committed to capital expenditure of about £3.5bn this year.

But the current funding difficulties cast some doubt on BP's ability to continue growth in oil production and consequently profits in the long term. The company spent £4bn on capital expenditure projects last year which include payment for developing oilfields and investment in upgrading refineries. But Mr Horton has said it will cut this this year to about £3.6bn and the City is expecting further cuts of about £200m to £300m if the oil price continues to languish at its current level of $17.50 a barrel.

At the same time, BP is under great pressure to maintain its programme of spending on oilfield development to increase production. The need for new discoveries is ever more pressing because its two principal production areas, Alaska and the North Sea, are reaching maturity and are unlikely to see increases in production.

Since Mr John Browne took over as managing director of the exploration division five years ago, he has tried to focus on areas of the world which offer growth.

At the same time he has decided to pull the company out of areas where it is failing to build a "critical mass", which he defines as a project with a market value of more than $1bn. The company's recent decision to withdraw from the Qatar gas project was an example of this.

The strategy has seen BP focus its exploration efforts on Colombia, the Gulf of Mexico, Nigeria, Norway, Papua New Guinea, and Australia. Mr Browne says: "By the mid-1990s we should have new cashflow coming from places

BP needs to balance capital expenditure with cash needed for debt reduction

like the Gulf of Mexico and Colombia and I hope we'll have opened up a third potential profit centre." Part of the company's spending on oilfield development will have to be constrained by the need to control its debt, but Mr Browne says the timing of some of these investment decisions can afford to wait. "Sometimes the longer we sit on things, the better they seem because new technology means we can better exploit them."

However, the timing of investment in BP's refining and marketing division is more critical. The company is taking a similar approach to its downstream operations as to oil

Horton: all projects robust

exploration, and focusing its activities on geographical regions where BP is a "major brand".

Mr Russell Seal, head of refining and marketing, explains that for BP to consider itself a leading brand it must have a 15 per cent market share for its petrol in a given area. As part of its strategy of geographical concentration, the company is cutting its European operations from 200 regional centres to 150 and including them under central management from Brussels.

But the most important issue for the future profitability of the downstream section will be the amount the company is forced to spend on environmental measures. This is particularly important in the US, where the Clean Air Act could cost the oil industry as much as $45bn over the next seven years. This will be spent on minimising emissions such as sulphur dioxide from refineries as well as upgrading facilities for the production of new "cleaner" fuels such as reformulated gasoline. Mr Seal says that its share of the capital expenditure budget amounts to some $1.8bn a year, out of which $400m is spent on environmental measures.

Mr Nick Antill, oil analyst at Hoare Govett, believes BP can ill afford the immense expenditure required to maintain production in the US in view of the Clean Air Act and given the current cut-throat competition in the market. "If 15 per cent of the refineries can't afford to make the investment and close, that means margins will be higher for those remaining, but BP is perhaps not in the best position to take that gamble."

Industry observers believe that BP has more refining capacity than it needs in the US and will scale it down in future. But given the competitive nature and low returns offered by the US market at present, the environment is not right for divesting assets.

BP, however, is pursuing a policy of divestment worldwide in all of its divisions to give it more focus. Mr Horton has classified the company's nutrition division as a "non-core asset", a move interpreted by many observers as a prelude to a sale. BP says it will not necessarily sell, but it will cease to invest in nutrition.

Mr Horton's move to distance the group from its nutrition interests leaves the company in two businesses that are highly dependent on world economic growth: chemicals, and refining and marketing; and in oil exploration, which is dependent on the oil price.

BP is more exposed to the oil price than many of its rivals, as it does not have such an extensive network of refineries as, say, Shell. In addition, its oil price forecasts have tended to be more optimistic than many of the other majors'. Mr Horton insists that all projects are tested against an oil price of $18 a barrel and are found to be "robust". But the oil price remains stubbornly low at $17.50 a barrel.

At the same time, BP's long-term plans are based on projections of revenues which require a rise in the price to about $25 a barrel by the second half of the 1990s. Much of BP's growth estimates for the whole company are based on an oil price above $20 after 1995.

"If the oil price continues at a level below $20 a barrel for a sustained period, BP will probably shrink in size," says Mr Antill. This is because the company is unlikely to be able to invest enough to maintain and increase its oil production.

Mr Horton explains: "In one sense, BP is a growth company, but it doesn't necessarily mean growth in volume or in asset size, but it does mean growth in shareholder value: in earnings.

"We have absolutely no ambition to be the size of Shell of Exxon for the sake of it," he adds. "The challenge we must meet is to get our overheads down and operate at a lower cost. That is why technology is vital: we need to operate more efficiently and offer a better service to customers."

BOOK REVIEW

When markets alone are not enough

THE MORAL FOUNDATIONS OF MARKET INSTITUTIONS
By John Gray
Institute of Economic Affairs, £7.95

What should inspire post-Thatcher Conservatives – and their allies abroad?

Autonomy, free markets, and an enabling welfare state, argues John Gray, an Oxford political theorist. In this powerful Institute of Economic Affairs tract, he combines all three to map out a plausible middle ground for political debate in the 1990s. With most of today's politicians – left, right and centre – desperately searching for such terrain, he is playing to a packed audience.

Gray is that rare bird: the polemical moderate. The "ruinous failure" of state socialism, the "mirage" of egalitarianism, the "blind alley" of market socialism, the "illusions" of libertarianism – successive chapters shatter each in turn. Gray's political sympathies lie unambiguously with the right, but his strictures on the limits of markets and the importance of welfare will cause many an IEA patron to blanch.

The promotion of human autonomy is, for Gray, the end of politics. But autonomy is more than freedom – the "negative liberty" of classical liberals and conservatives. To be valuable, autonomy requires both capacities for choice on the part of the individual and a range of worthwhile options in his or her cultural environment. "In the absence of this," claims Gray, "autonomy wanes, and the lives of individuals become the poorer, however many choices they make."

Accordingly, free markets are ethically justified as enabling devices for the protection and enhancement of autonomy – since without them, the ability of individuals to act upon their own goals, values and knowledge is diminished. But markets alone are not enough. If worthwhile choices are to be available to all, the state has to provide public goods for all. The state also has to satisfy the "basic needs" of individuals through an active welfare and cultural policy – where markets, families, charities and other non-state institutions fail to do so.

What are these "basic needs"? They are needs whose satisfaction is essential to the possibility of a worthwhile life. For the most part, they are also capable of complete satiation. The latter feature is critical: for most basic needs, writes Gray, "once they are met, the content of the welfare claim which guarantees their satisfaction is exhausted". So needs, not rights or justice, justify the claims of individuals on the state.

Hence the welfare state. But Gray's Leviathan is small and tame. It will supplement, not replace, private provision. It will consume only about a quarter of the national product, and not be a racket for the middle classes. It will deliver as far as possible through market mechanisms, using vouchers and the like. And its structure will conform to the principle of subsidiarity, "with functions being devolved to the lowest feasible and desirable level of government".

Gray's Leviathan is small and tame. It will supplement, not replace, private provision

None of this cuts much ice with the remnants of the Thatcherite right. In accompanying commentaries, Chandran Kukathas, of the University of New South Wales, and Patrick Minford, the monetarist economist, defend negative liberty – freedom from coercion – as a goal in its own right, and dismiss "basic needs" as hard to define, and where defined, ruinously expensive to meet.

Gray's response is persuasive. Freedom, he argues, has little value on its own. Its chief value is the contribution it makes to autonomy – an autonomy which involves far more than the mere absence of coercion by others. As for basic needs, they necessarily vary across cultures and societies – to lead a worthwhile life, the Kalahari bushman and the urban professional require different things. Yet allowing for that, and the impossibility of precise mathematical objectivity in such matters, a "reasoned public discourse" ought to generate consensus on the content of such needs.

Gray may place too much faith on the power of "reasoned discourse": propose reducing state spending to a quarter of the national product, and the ensuing debate will be anything but reasoned. Beyond lauding subsidiarity – a difficult principle to apply, as the European Community is discovering painfully – he also has little to say about the organisation of his limited government. Yet the issue affects his argument at every turn, with constitutional reform moving up the agenda of Britain's political class through concern for just that autonomy which he is seeking to promote.

A related caveat is entered by Raymond Plant, coming from the left in the third of the commentaries. It may indeed be possible to reach broad consensus on basic needs, but it is far from evident that such needs, taken together, *can* be met completely within available resources. Gray himself concedes the expense of many basic health needs – particularly those relating to ageing; and that is even before aggregating them with entitlements to education, training, housing, defence and so on.

Yet if basic needs cannot be met completely, then a debate about distribution and fairness takes over – and the rules for conducting it become crucial. As Plant notes, governments all too often fall victim to interest group pressures in relation to the provision of basic services because of their unwillingness to face the fact of scarcity, and the consequent imperative to gauge "a reasonable degree of entitlement given limited resources".

Politics evidently still has a controversial life ahead of it.

Andrew Adonis

LETTERS

Environment and syllables

From Mr Walter Grey.

Sir, We are all environmentalists now. So, like P D Martin (Letters, February 18) *et al*, we naturally take to "environmentally friendly" goods and causes.

Or we would if "environment-friendly" (with two fewer syllables) didn't seem so much neater – besides being closer to its German (*umweltfreundlich*) original.

Among other things, as environmentalists will be the first to appreciate, this would also save forests by economising on newsprint!

Walter Grey,
12 Arden Road,
Finchley,
London N3 3AN

Where is the call for action?

From Mr John Ottensooser.

Sir, I refer to your article "Perspectives: Wasted lives in the UK's packed jails – A City group on a moving morning in prison" (February 22). I wonder what the point of such an article is, unless it calls for action. Any suggestions?

John Ottensooser,
John Ottensooser & Co,
Parliament House,
North Row,
London W1

A Union that frustrates and provokes an unreasonable argument

From Mr Roy Lawson.

Sir, Joe Rogaly's article, "Scotland the grave" (February 25) is the best explanation I have yet come across as to why the Conservative party clings to the retention of the Union in its present form.

John Major's argument at the weekend that, collectively, England, Scotland, Wales and Northern Ireland together are far greater than the sum of their parts has to be taken with a large measure of salt. As the article points out, it is largely the English who hold to a misplaced sense of superiority on the world stage – something perpetuated by Mrs Thatcher, and subsequently by Mr Major. Oh, the ether of power!

As a Scot, I have been continually frustrated by the UK's actions in being the main brake on greater European integration. The Scottish Nationalists have struck a strong chord when they say that they wish to attain independence for Scotland within Europe. I feel that our aspirations as a nation could be better satisfied within a federal Europe, instead of clinging to a past that was great but is irrelevant in the face of new challenges confronting us all.

Last, and on a lighter note, a possible name for the three Independent Celtic States would be the Commonwealth of Celtic Countries (CCC).

Roy Lawson,
Flat 3,
26 Ongar Road,
London SW6 1SJ

From Ms Liz Ward.

Sir, Joe Rogaly draws a misleading analogy between the Scots' drive for constitutional change and the reluctance of white South African supremacists to replace apartheid with a new constitution.

By drawing Mr Major as a Mr de Klerk, he implies that the defeat of the Scottish Nationalists at a referendum would be comparable to a defeat of white South Africans opposed to power-sharing with blacks. This takes the argument outside the bounds of reason.

Liz Ward,
50 Longley Road,
London SW17 9LL

Fax service
LETTERS may be faxed on 071-873 5938. They should be clearly typed and not hand-written. Please set fax machine for fine resolution.

Equal rank

From Mr Terence Bendixson.

Sir, The word culture means many things to many people and therefore even in France not everyone might agree with Colin Amery that London is outclassed by Paris "as an architectural and cultural city" ("A test for taste and political judgment", February 24). In *Les Villes Européennes*, Mr Roger Brunet, the distinguished French geographer, uses a variety of indicators that exclude architecture and ranks London and Paris equal in *"la fonction culturelle"*.

Has Mr Amery become ensnared in the fashionable cult of London bashing?

Terence Bendixson,
9a Gunter Grove, London SW1

Simpler control

From L G L Unstead-Joss.

Sir, I was intrigued to see the elaborate technology now installed to deal with the traffic at the Blackwall Tunnel – the Northern (Poplar) entrance, presumably.

In the 1930s a lone police-constable controlled traffic there; often it was my parents' friend, PC Walter Brockhurst, whose elder son, also Walter, was then one of my close friends at Woolmore Street Elementary School, Poplar.

L G L Unstead-Joss,
4 Liberton Gardens,
Edinburgh, EH16 6JR

No evidence that Rolls-Royce Cars not up with latest technology

From Sir Colin Chandler.

Sir, I write to express concern that your editorial comment on Rolls-Royce Motor Cars ("Perilous niches", February 26) seems to have been written by someone with little knowledge about Rolls-Royce and Bentley cars or their design, development and manufacture.

There is no evidence to support your thesis that the downturn for Rolls-Royce Motor Cars is based on a failure to keep up with the latest technology. As recently as 14 months ago, Rolls-Royce Motor Cars was announcing that its sales had been at a near record level of 3,333 in 1990 – hardly the dying throes of neglected technology!

The current recession in the US and the UK has caused an equally steep fall in the sales of top-of-the-range versions of motor cars from Mercedes and BMW, despite their alleged higher technology.

The design, development and production of Rolls-Royce Motor Cars at Crewe has involved for many years the use of computer-controlled machinery, very similar to that found in any German or Japanese car factory. In addition, visitors to Crewe from both German and Japanese manufacturers have actually compared their own working and project management practices unfavourably with those they observed at Rolls-Royce Motor Cars.

The whole of Rolls-Royce production is controlled by a computer-based manufacturing resource planning (MRPII) system, which was the first to be installed by a European motor car manufacturer.

The automatic ride control, introduced by Rolls-Royce on all its models in 1989, was the first of its kind in the world – technology developed at Crewe. This computer-controlled system enables the car to react immediately to different road and driving conditions to give the best combination of ride and road-holding at all times.

Rolls-Royce has, of course, had long-term technological collaboration agreements with a number of manufacturers, including BMW, and the technological transfer is two-way, with, for example, Rolls-Royce working for BMW as well as BMW for Rolls-Royce.

As was made clear in the announcement of Vickers results this week, the research and development expenditure at Rolls-Royce Motor Cars has been maintained during this difficult period.

It was only in November last year that the technically orientated publication, Car Magazine, tested the Bentley Turbo R alongside the most expensive Jaguar, Mercedes and Lexus cars and came to the conclusion that the Bentley Turbo R was "the best car in the world".

During 1991, Rolls-Royce Motor Cars launched two new models, including the Bentley Continental R, for which the first two years production have already been sold, mostly for export, and in total worth more than £100m.

Of course Rolls-Royce Motor Cars occupies a particular and small niche, as indeed does the Financial Times. This does not, however, mean that either is in some way backward or produces "instant antiques".

Sir Colin Chandler,
managing director,
Vickers plc,
Millbank Tower,
Millbank,
London, SW1P 4RA.

FINANCIAL TIMES
Thursday February 27 1992

Canada has to bite the fiscal bullet

Bernard Simon on a budget laying the groundwork for harsh economic restructuring

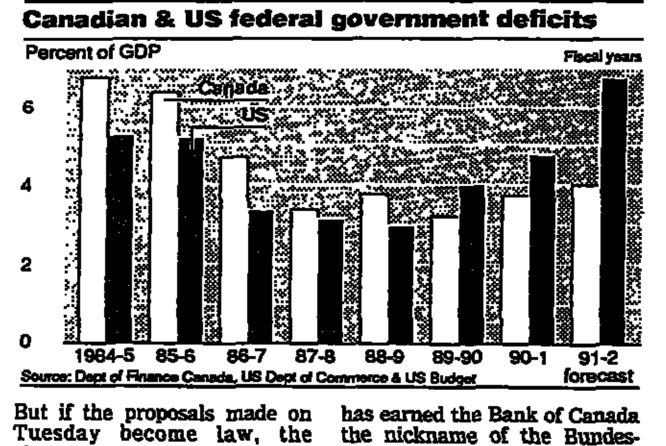
CANADA'S finance minister has introduced a budget which aims to lay the groundwork for his party's next election campaign but at the same time to take a few steps forward in the painful restructuring of the Canadian economy.

Mr Donald Mazankowski, who has a reputation as one of the Progressive Conservative government's shrewdest politicians, announced modest tax cuts for both individuals and companies. As another spur to growth, the withholding tax on dividends paid to foreigners is being halved to 5 per cent.

But one of the pillars of Mr Mazankowski's budget package illustrates how Canadians are being led – not always willingly – towards a more hard-nosed existence than the one provided for decades by a pervasive, protective and free-spending government.

For the past 47 years, every parent has received a monthly "family allowance" cheque to help pay child expenses. The government began clawing these back from upper-income households a few years ago.

Canadian & US federal government deficits



Source: Dept of Finance Canada, US Dept of Commerce & US Budget

But if the proposals made on Tuesday become law, the cheques themselves will stop arriving at about half a million homes next January.

This and some of the budget's other measures fit a pattern of economic restructuring which also includes the negotiation of the 1989 free trade agreement with the US, Ottawa's participation in more recent talks to bring Mexico into that agreement, and the stern monetary policy which has earned the Bank of Canada the nickname of the Bundesbank of North America.

Free trade is forcing Canadian companies and workers to become more competitive or face a mass southbound exodus of jobs. Tight monetary policies have helped bring down Canada's inflation rate to a year-on-year rate of 1.6 per cent in January, the lowest among the Group of Seven industrialised economies.

In the budget, tax concessions are balanced by discipline on the spending side. Mr Mazankowski observed at a press conference after his budget speech that people from coast to coast are telling Ottawa that they are "sick and tired of paying the bills". "Government must scale down," he said.

To help pay for the tax breaks, Ottawa plans to cut several hallowed programmes and institutions. Canadian combat troops are being withdrawn from Europe. Subsidies on student loans are to be cut. A total of 46 government agencies are to be either abolished or taken over by other bodies.

The risk of Mr Mazankowski being blown off course is substantial. His assumptions of a 4.5 per cent growth rate in 1993 and a decline in interest rates for the next two years are more optimistic than most forecasts.

Mr Mazankowski aims to bring the budget deficit down from C$31.4bn in the year to March 31, to C$27.5bn in 1992-93. He plans to lower the deficit from a peak of 6.7 per cent as a proportion of gross domestic product in 1985 to 1.7 per cent in 1994.

But the government has a spotty record in meeting its targets. Just a year ago, it promised a 1992-93 shortfall of only C$24bn.

Unlike the US and UK, Canada is proposing a discretionary fiscal tightening, instead of allowing the automatic fiscal stabilisers to work unhindered. The scars of the profligacy of the early 1980s remain. The government has no wish to return to the budgetary difficulties of that time.

Nevertheless, the temptation to loosen the purse strings over the next 12 months will be heightened by the approach of the next election, which is likely to be called by mid-1993.

It is surely no accident that the proposed reduction in manufacturers' tax rates (from 23 per cent to 21 per cent) will be phased in over the course of a year to January 1994, while the entire cut in the personal surtax (from 5 per cent to 3 per cent) will be in place a full year earlier.

Smiths poised for avionics agreement in US

By Paul Betts, Aerospace Correspondent, in Singapore

SMITHS Industries, the British defence and aerospace components group, is on the verge of signing a partnership agreement with the Collins Avionics division of Rockwell International of the US.

The partnership will create a third force in the commercial aircraft avionics sector, competing against Honeywell, the US-based market leader, and Sextant, the French avionics group.

It will also lead to a rationalisation of the commercial avionics business along the same lines as the other main sectors of aerospace industry dominated by three airframe manufacturers (Boeing, Airbus and McDonnell Douglas) and three leading engine makers (Pratt & Whitney, General Electric and Rolls-Royce).

Mr Graham Thornton, marketing director of Smiths Industries' defence and aerospace activities, confirmed yesterday that a partnership agreement between the two companies was close.

There was room in the market, he said, only for three groups to provide all the avionic systems for commercial airliners, including flight control, flight management, onboard maintenance, displays and systems integration.

Final details of the partnership are still under negotiation. It is not expected to involve a cross-equity agreement.

The two groups are expected to create a joint marketing company but retain independent design and manufacturing operations. The immediate aim is for Smiths and Collins to bid as a partnership for avionics contracts.

The partnership is expected to focus its attention on winning business on Boeing aircraft, which currently account for about 55 per cent of the world airliner market.

Honeywell, the biggest US avionics supplier with about 35 per cent of the world market, is dominant on McDonnell Douglas aircraft.

Sextant, which was formed by the merger of Aérospatiale's and Thomson CSF's avionics interests to rationalise this sector of the French state-controlled aerospace industry, is the main avionics supplier to Airbus.

Rival manufacturers see little chance of penetrating the Airbus market, which accounts for about 25 per cent of world civil airliner business, because Aérospatiale is a leading shareholder in both Airbus and Sextant.

This leaves Boeing as the most attractive target for the Smiths Industries-Collins alliance.

The idea for the partnership followed an earlier unsuccessful attempt by the two companies two years ago to bid jointly for the aircraft information management system (Aims) for Boeing's new 777 widebody airliner.

Although the Aims contract was ultimately won by Honeywell, Smiths Industries and Collins felt there were strong synergies between the two companies and decided to discuss a broader alliance, Mr Thornton said.

Palestinians pour scorn on Israeli plan

By Roger Matthews in Washington

PALESTINIAN delegates yesterday went into the third session of Middle East peace talks insisting they would only discuss Israeli settlements and what they described as human rights abuses in the occupied territories.

They ridiculed the Israeli plan for Palestinian self-rule presented on Monday, calling it an attempt to negate the whole purpose of the peace process. Israel planned to bring in the first of its experts yesterday to analyse issues involved in its proposals for interim self-governing arrangements in the West Bank and Gaza.

Mrs Hanan Ashrawi, spokeswoman for the Palestinian delegation, said the scheme put forward by Israel was a tactic to use the peace process to reorganise the occupation.

By proposing two separate legal systems for the occupied territories of the West Bank and Gaza, for Jewish settlers and Palestinians, Israel was trying to legitimise the annexation of the territories and set up a formal apartheid system.

"The process of settling occupied Palestinian land and the peace process cannot be reconciled", she said. "Israel has to choose one or the other."

Mr Edward Djerejian, the US assistant secretary of state, had scheduled meetings with the heads of delegations yesterday. He was expected to urge delegates to concentrate on substantive issues and to avoid the emotive language of the past two days.

Efforts are continuing in Washington to find a formula allowing Israel access to $10bn loan guarantees requested to settle immigrants from the former Soviet Union.

Mr James Baker, the secretary of state, said on Monday that Israel would only receive the loan guarantees if it first agreed to stop building settlements in the occupied territories.

He also stressed that the US was totally committed to Israel's security, but added that for the past 25 years successive administrations had opposed Israel's construction of settlements in the occupied territories.

One possible compromise being put forward by supporters of Israel is that Congress should approve the full amount requested but leave the Administration to decide on whether the criteria it had set were met by Israel.

They suggested that this could allow Israel quick access to the loan guarantees if after the June 23 general election the Labour party defeated Likud and announced an immediate settlement freeze.

Strasbourg to debate Irish policy on abortion

By Tim Coone in Dublin and **Andrew Hill** in Brussels

THE European Parliament will press ahead with a debate on Ireland's abortion policy today, despite the Irish Supreme Court's decision yesterday to overturn a High Court ruling preventing a 14-year-old rape victim from terminating her pregnancy in Britain.

The parliament's legal affairs committee will debate the issue on the grounds that it has raised important issues of principle for the European Community.

Mr Willi Rothley, the German socialist MEP who called for the debate last week, said that the supreme court's decision was "only an individual solution".

Mr Geoffrey Hoon, the British Labour MEP and a member of the committee, added: "I hope the court has decided the case on the principle that it cannot interfere with the right of Irish citizens to travel freely to other parts of the Community".

Mr Gerhard Schmid, a German socialist MEP, was emphatic. "We must redefine conditions for EC membership. I propose that only states which have experienced the Age of Enlightenment could be members of the Community. I doubt whether, in fact, Ireland can stay in the Community".

Ireland's Supreme Court registrar said the injunction against the girl had been set aside but the legal reasoning would not be given for several days, leaving open the possibility that the controversy may be far from over.

The decision was cautiously welcomed by Irish politicians.

The government is paying the estimated £50,000 cost of the family's appeal and Mr Albert Reynolds, the Prime Minister, said last night that the decision "may have other implications and I want to examine the judgment in detail before commenting on it. But if the appeal has been allowed, then this case is now out of the way."

Australian recovery bid

Continued from Page 1

He said the federal budget deficit would increase to A$8bn next year, but claimed economic growth would produce a surplus of A$2bn at the end of the four-year period.

The package was welcomed by business leaders. Mr Frank Conroy, managing director of Westpac Banking Corporation, said the growth projections were high, but he forecast that the package would not unsettle the financial markets.

Mr John Hewson, leader of the Liberal/National opposition, said it was "one of the most irresponsible packages I have seen contemplated in Australia".

Paul Keating: pledging "to get nation moving again"

Glaxo faces EC probe

Continued from Page 1

deputy chairman, said Glaxo was protected from downward pressures on drug prices because it had innovative products in its pipeline which could command a premium.

The Danish complaint follows political and media criticism of the price Glaxo charges for Imigran, which was introduced in Denmark last month. The retail price for six tablets is DKr807 ($126).

Mrs Esther Larsen, health minister, said Imigran's price was so high that if all Danish migraine sufferers were to use it, the cost would amount to about one third of the health service budget for prescription drugs. Denmark spends more than 6 per cent of GNP on healthcare, of which 11 per cent goes for drugs.

Mr Robin Gilbert, an analyst at James Capel, said the Danish move was unprecedented. He said the complaint was unlikely to have much effect on sales in the short-term, but that it could stir up other governments to question Glaxo's pricing policy and could become significant in the long-term. "Pricing is becoming a hot subject. This is an unpleasant straw in the wind."

Glaxo is in protracted negotiations with the French authorities over the pricing of Imigran. In the Netherlands, the health authorities have refused to reimburse the cost of an oral version of Imigran.

The Danish announcement, just before the London stock market closed, was followed by a 10p fall in Glaxo's price. The share closed up 1p on the day at 794p.

US winning the race for Kuwaiti contracts

Continued from Page 1

AT & T is fighting hard to enter Kuwait's telecommunications market, largely at the expense of Ericsson of Sweden, which built most of the existing network. The US company hopes to win contracts worth up to $200m.

British and, particularly, French officials are disappointed. "The overall picture here of awarding contracts is gloomy," said a French diplomat, who reckoned French groups had tendered for $1.5bn worth of contracts but won just $500m worth since liberation. Most of this represents the French share of Kuwait's postwar $2bn order for 15 Airbuses.

However, General Electric of the US is to supply the Airbus engines (in conjunction with CFM of France), while Boeing is to supply three 747 jets.

French officials are also piqued that none of their bidders won any significant share of the effort to control Kuwait's oil fires or of subsequent oilfield recovery work – a situation they attribute to lobbying by Bechtel.

British companies have fared slightly better. Officials in Kuwait estimate that the UK has won nearly $1bn of of trade and contracts since liberation, though this includes a $200m share of the Airbus contract.

Among the main British successes, the Kuwait British Group, a consortium of Wimpey, Amec and Taylor Woodrow, has a contract worth nearly $200m to restore output from the northern oilfields; Morrison has secured $40m worth of work repairing the water system; and Royal Ordnance, a subsidiary of British Aerospace, has mine and ordnance clearance contracts worth around $100m.

Britain's main hope for further large contracts lies in defence, where the Challenger 2 tank is competing against the US Abrams. But UK officials say few other big contracts appear likely to go Britain's way. "The level of interest in this market shown by British companies has just dropped off," said a UK trade official.

WORLDWIDE WEATHER

Temperatures at midday yesterday C-Cloudy Dr-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sunny Sl-Sleet Sn-Snow T-Thunder

THE LEX COLUMN

A costly year at Barclays

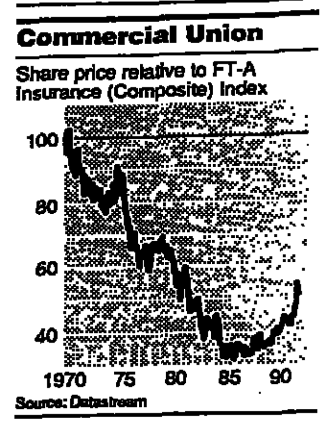
It is just as well that South Africa has regained some international respectability. Otherwise Barclays Bank would not have been able to release a full £100m of South African provisions, and its pre-tax profits would have fallen by even more than the reported 30 per cent to £533m. Even with that sort of flattery, however, there is no disguising a dismal underlying performance. It has produced operating income of £2.03bn - only £6m more than that of National Westminster - even though total assets are 13 per cent higher.

This would matter less if Barclays' steeply rising overheads really were largely the product of investment spending for the future. Strip out the £90m of extra costs from the acquisitions in France and Germany and around £45m of restructuring charges (which are carried as an exceptional by Natwest), and overall costs still rose by 10 per cent. That suggests some pretty deep-rooted pressures which will be hard for a juggernaut like Barclays to slow.

Unlike National Westminster, Barclays cannot expect to benefit from falling provisions this year. If anything its UK provisions of £1.31bn look a little on the low side. Certainly they will be high again this year. It is thus not surprising that its shares fell 5 per cent to 374p. The chances are that the bank will have little scope for increasing its dividend in 1992. In profit terms its recovery potential looks the least attractive of the three large clearers which have reported to date.

FT-SE Index: 2,565 (+18.2)

Commercial Union



Source: Datastream

Commercial Union

No doubt it is unintentional, but CU seems to have perfected the art of embarrassing its rivals. A year ago the company's wafer thin profits stood out in a sea of red ink. Yesterday it was the dividend announcement – a 3 per cent increase in spite of nearly £70m of pre-tax losses for 1991 – which looks likely to distinguish CU from the pack once the latest reporting season is over.

Given that CU shares underperformed the market by 20 per cent in the last 12 months – bad, but not as bad as other composite insurance companies – the real question for investors is not so much the company's relative position as the prospects for the whole sector. Nothing that CU said yesterday, however, encourages the view that the much anticipated re-rating of the composites is at hand, which is why expectations that the CU's losses can be kept to a relatively respectable £40m in 1992 are arguably of little comfort. The outlook for non-life insurance markets remains spotty: improving in the UK on the personal side, to be sure, but little sign of any hardening of commercial rates or of recovery in the London market. Motor claims at CU rose a remarkably modest 2.4 per cent in 1991, but theft and arson remain a nightmare for the whole industry.

The plus points about CU are its solid management and the absence of exposure to big unknowns like mortgage guarantee losses and the direction of the US dollar. But while its weak balance sheet kept the company out of mischief in the late 1980s while others lost their heads, the lack of significant financial muscle can now be seen as a handicap. A solvency margin estimated as in the low 40s might be envied elsewhere – but it provides little scope to chase market share or turn acquisitive. CU may want none of this – but the opportunities are there as better capitalised continental companies have proved.

Lonrho

Lonrho's report and accounts will have done little to reassure investors alarmed by the dismal profits fall announced last month. Hence the further 7 per cent slide in the shares yesterday. The extra detail strengthens the impression of a group failing to hold its far-flung empire together. Even the declared £207m of pre-tax profit was flattered to the tune of £43m by property disposals and capitalised interest, so the underlying fall was significantly worse than previously disclosed. Lonrho's bankers, who have advanced the group more than £800m of unsecured loans, might be regretting their generosity.

The main explanation for the poor trading performance appears to lie in the UK, where profits collapsed from £55m to £19m before tax. Given that the VAG motor distribution business made £20m pre-tax in 1990, the performance of Lonrho's other UK operations must have been dire indeed. If that continues, Lonrho will certainly face an Advance Corporation Tax problem. Nor is there much hope to be gleaned from the fact that the group's losses from foreign exchange adjustments last year fell by three-quarters to £40m. It will be asking a lot for exchange rates to be so favourable this time round.

In structural terms, the group's main problem was its inadequate cash generation. A generous reading suggests a cash inflow of a mere £35m before tax and dividends, though it remains tantalisingly obscure over how this came about. Granted, capital expenditure should fall sharply this year and there might be a boost from asset disposals. But given the poor quality of its earnings, Lonrho must be wondering whether it can keep up even its reduced 13p dividend. The yield case for buying the shares looks ever more suspect.

S G Warburg

There is an element of hysteria about yesterday's fall of more than 6 per cent in S G Warburg's shares. The merchant bank admitted that second-half pre-tax profits would not match the £89m recorded in the first half, but the total would still be above the £66m for the equivalent period of 1990-91. That suggests the British Telecom issue was not quite the bonanza it should have been. Since Warburg's fiscal year started on October 1, the FT-SE has fallen by about 100 points and equity turnover has dwindled. Corporate finance business has become scarcer as decisions have been deferred because of the recession and the election.

The pace of business could quicken after the election, especially if a Tory victory lifts the equity market out of its present torpor, allowing a revival of both capital raising and bid activity. In the meantime a floor of £66m for second-half profits does not exactly constitute a collapse, although it is a far cry from 1989-90 when the bank notched up £187.5m in the full year.

FINANCIAL TIMES
COMPANIES & MARKETS
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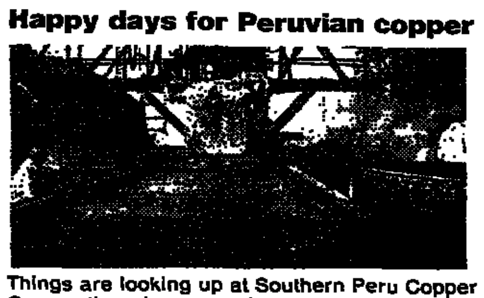
INSIDE

O&Y unit repays £158m to parent

O&Y Canary Wharf Holdings, the developer of the £3bn ($5 22bn) office complex in the London docklands, repaid £158m of its share capital to its Canadian parent in November 1990, according to newly published accounts. The payment was the main reason behind a fall in its net assets from £751m to £571.7m in the year to October 1991. Page 24

Happy days for Peruvian copper



Things are looking up at Southern Peru Copper Corporation, the country's principal foreign investor and producer of two-thirds of all Peru's copper. SPCC's plant at Ilo (above) had record production of blister copper last year and the company is about to embark on a $300m investment programme. Page 26

Safe haven for shipbuilders

After years of bitter competition with European rivals, Japanese and South Korean shipbuilders are set to capture 70 per cent of the world market in large ships. With new demand being shaped by environmental and safety considerations, the Asian yards are trying to establish a new harmony between themselves and avoid the deep discounting that characterised the past. Page 31

Startling first year of growth

In its first years of existence, the German commercial paper market has grown so rapidly that it now exceeds its British counterpart. The total value of German CP programmes, dominated by the Treuhand, the German government's privatisation agency for the east of the country, amounts to DM25bn ($15.2bn). Deutsche Bank, arranger and chief dealer to most of the issues, now expects this total to rise to DM40bn by the end of the year. Page 23

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Chief price changes yesterday

FRANKFURT (DM)

Rises			
Allianz Ind	670	+	20
Colonia Konzn Pf	570	+	15
Kaufhof	505	+	15.5
Linotype	497	+	21
Volkswagen Pf	315	+	6.5
Falls			
Porsche	596	−	14

NEW YORK ($)

Rises			
Harley-Davidson	54 ½	+	2 ⅞
Amgen	66 ¼	+	3 ¼
Microsoft	119 ¾	+	4
Telefonos Mex	58	−	3 ¼
Falls			
Gimfed	7 ½	−	1 ⅞
Autotrol	10	−	4 ¾

New york prices at 12:30.

PARIS (FFr)

Rises			
Beghin-Say Crt	480	+	13
Canal +	1125	+	31
Orsan	257.9	+	7.9
UFB Locabail	329	+	19
Vallourec	282	+	8.8
Falls			
Aux d Entrepr	1000	−	55

TOKYO (Yen)

Rises			
Fuji Rebio	1100	+	90
Hokuriku Seiyk	1800	+	230
Kaken Pharm	1360	+	110
Kinugawa Rubbr	555	+	42
Mochida Pharm	2630	+	400
Toyo Aluminium	839	+	69

LONDON (Pence)

Rises			
Crit Stationery	[illegible]	+	8
Helene	23	+	2 ½
[illegible]	87	+	5
Macarthy	376	+	17
Midland Electric	191	+	11
PowerGen	232	+	8 ½
Gowrie Mead	[illegible]	+	3 ½
RHM	214	+	8
Sema	[illegible]	+	20
Tiphook	182	+	18
Unitech	[illegible]	+	17
Wedgw'd [illegible]	[illegible]	+	6

Falls			
Barclays	374	−	20
Brabant Res	70	−	14
Capita	306	−	11
Grand Met	932	−	15
K'wort Benson	265	−	11
Lonrho	121	−	9
QMI Intl	35	−	5
Ryan Hotels	24 ½	−	7 ½
Wace	118	−	5
Warburg (SG)	538	−	36

Partners swap shares and pool Benelux computer services interests

CGS in joint venture with Volmac

By William Dawkins in Paris

CAP Gemini Sogeti (CGS), Europe's largest computer services group, yesterday announced a wide ranging co-operation and share exchange deal with Volmac, the Dutch market leader, in which it already has a small stake.

The deal will create a new holding group, yet to be named, which will have 4,000 staff in the Benelux countries and annual sales equivalent to FFr2.7bn ($480m).

The partners will be seeking to increase their share of the fast developing market for supplying in-house computer services – facilities management in industry jargon – said Mr Michel Jalabert, development director for the French company.

Under the agreement, the pair – who exchanged small minority stakes in 1988 – will pool their activities in the region in a company to be 60 per cent owned by the new holding group.

The exact parities have yet to be fixed, said Mr Jalabert, but the other 40 per cent will be divided between Volmac's existing public shareholders, institutional investors and The World Software Group (WSG), which is Volmac's holding company.

The new holding group will in turn be roughly two-thirds owned by CGS and one-third by WSG. CGS is not planning to offer for the remainder of Volmac's shares, which are listed on the Amsterdam stock market.

Mr Jalabert said the deal would have no direct effect on CGS's profits, which fell 10 per cent last year, but would help boost its international business.

The deal comes a fortnight after CGS's acquisition of Programator, its main competitor in Scandinavia. It marks the latest step in CGS's attempts to broaden its European market coverage in line with the increasing need of its big corporate customers for services groups able to handle contracts spanning several countries.

CGS has made more than 20 acquisitions in the past seven years, including the purchase of a controlling stake in Hoskyns, Britain's leading computer services group in 1990, and the acquisition of Scientific Control Systems of Germany a year later.

Last year, CGS sold a minority stake in itself to Daimler-Benz to seal a co-operation accord with the industrial group's computer services group, which specialises in facilities management for its parent.

Roland Rudd on what Lonrho's annual report says about its profits fall

Tiny Rowland sets the City a puzzle

IN THE past four months, Lonrho's share price has halved. Part of the drop stems, perhaps unfairly, from the prominence of Mr Tiny Rowland, Lonrho's chief executive, at a time when tycoons are out of fashion. Part of the shares' weakness, however, can be traced to the poor preliminary results announced in late January.

There was more bad news in the company's annual report, published yesterday. It showed that the group's pre-tax profits for the year to September 30 1991 – which fell to £207m ($362.2m) from the £273m recorded a year before – would have been lower still without the £33m gained from disposals of property. Without these gains Lonrho's overall pre-tax profits would have fallen to £174m instead of £207m. In 1990, pre-tax profits included just £4m of property disposals.

Profits in 1991 profits were also boosted by £27m (£13m) of interest capitalised primarily from its hotel building programme.

Lonrho's shares fell against the market trend yesterday, to close at 121p, down 9p. The drop in the share price was also influenced by what the annual report did not say. There seemed, to analysts and shareholders poring over the pages yesterday, to be no clear, easy-to-grasp answers to the questions they have been asking since the preliminary results were published: what caused the fall in pre-tax profits; and why did the group slash its dividend, when there was no pressure on it to do so from the banks?

Lonrho is surprised that the questions are asked at all. Is it remarkable, say its directors, that its profits were hit by one of the worst recessions since the 1930s? And why the attention given to its decision to cut the final dividend by 3p to 5p per share? After all, last year Mr Robin Leigh-Pemberton, governor of the Bank of England, said companies should not pay dividends that they could not afford.

Tiny Rowland: fighting the *tycoon factor*

In short, Lonrho cannot understand what all the fuss is about. For its part, the City of London does not understand Mr Rowland's explanation of the poor 1991 performance. In the annual report he says the fall in precious metals accounted for nearly half the reduction in profits in the second half of the financial year.

During the 1991 financial year as a whole, the average price of gold and platinum fell from $386 per ounce to $365 and from $492 per ounce to $391 respectively. But this was more than offset by the increase in the average price of rhodium, which rose from $2,857 per ounce to $4,486. Mining also increased. Output of platinum metals rose from 486,000 oz to 625,000 oz; gold from 693,000 oz to 841,000 oz; and rhodium from 30,000 oz to 38,000 oz.

Mr Mike Smith, conglomerate analyst at Fleming Securities, says: "On the basis of these figures I would have expected Lonrho to have maintained its pre-tax profits if not increased them; something is very strange."

The annual report simply shows mineral extraction and refining profits before interest and taxation fell from £123m to £106m. But when pressed, Lonrho points out it takes 9 months for the metal to emerge as sales after it is extracted at Western Platinum's South African mines. The time-lag makes it hard to draw conclusions from the average price of the metal over the year, especially since there is a big swing in the price of rhodium from month to month.

Overall, however, the drop in mining profits only explains a quarter of the profits decline. A more significant contribution to lower profits – not highlighted in Mr Rowland's introduction – comes from the group's businesses in the UK.

The figures in the annual report reveal the weakness of the UK businesses, which include newspapers, steel manufacturing, hotels, property and car distribution. The UK, which represents 40 per cent of group revenues, was the worst hit geographical segment. Profits before tax and interest fell by £37m to £53m. East, Central and West Africa, which together provide 11 per cent of turnover, saw profits rise from £112m to £123m.

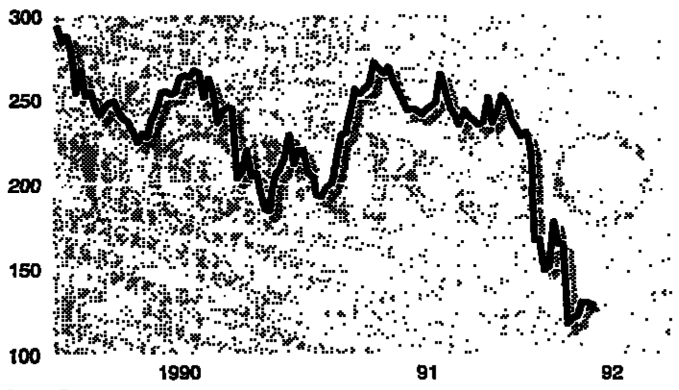
The extent of the 1991 decline can be seen from the fact that in 1990 pre-tax profits from VAG, Lonrho's Volkswagen/Audi import and distribution operations in the UK, were £20m. Yet in 1991 the whole of the UK's pre-tax profits (after subtracting interest) were just £19m.

Lonrho's problems in the UK also help to explain its decision to cut its dividend for the first time since 1981.

The company does not make enough UK profits to offset against the advanced corporation tax payable on its dividends. The annual report shows a contingent ACT liability of £78m. So, though the poor performance of the UK businesses only explains part of the overall drop in profits, it goes some way towards explaining the dividend decision.

Lonrho

Share price (pence)



Source: Datastream

Operating profits (£m)	1990	1991
General trade	49	52
Motor and equipment distribution	78	58
Manufacturing	39	29
Mineral extraction and refining	123	106
Leisure	30	25
Financial services	16	25
Agriculture	25	24
Total	360	319

Not everything in the annual report was greeted with gloom. One big shareholder pointed to the £6m reduction in working capital, as a pointer to tight management controls. But some shareholders were left unhappy by Lonrho's contacts with them last month, which stressed that it is a difficult business to understand. "That doesn't mean it shouldn't try harder to explain what is going on", said one institutional shareholder.

To try to offset the tycoon factor, Mr Rowland, who is 74, has decided to take a leaf out of Hanson's book. Last month Lord Hanson attempted to stamp out speculation about his successor by showing shareholders the depth of the company's management. Lonrho is planning a similar move at its annual general meeting next month.

The number of associate directors has been doubled to 20. The message at Lonrho's AGM will be that it too could find a successor to its chief executive from a number of strong internal candidates.

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Varez poised to buy Ibercorp

By Tom Burns in Madrid

MR José Luis Varez, the Spanish financier, was yesterday poised to buy Grupo Ibercorp, the troubled private bank at the centre of a scandal involving allegations of insider dealing.

If it goes through the acquisition will save Ibercorp from the threat of receivership and contain at least some of the damage wrought by a scandal which has cast a shadow over Spain's specialised banking sector.

Mr Varez controls Agepasa, a leading domestic fund management group, and Banco Inversion, the investment bank which is a designated marketmaker in Spanish government bonds.

The owner of reputedly the best collection of old masters in Spain outside the Prado museum, Mr Varez was urged to rescue Grupo Ibercorp by Mr Alfonso Escamez, chairman of Banco Central Hispanoamericano.

Ibercorp, known as the "beautiful people's" bank and symbolic of the new wealth in Spain, is the most spectacular casualty to date among the banking boutiques created in the late 1980s.

It potentially constitutes one of the most damaging financial and political scandals in post-Franco Spain.

Ibercorp was driven into losses by the weakness of the Spanish stock market and by difficulties in the interbank market.

But its problems have been fuelled by press allegations that social celebrities and public figures had been given favourable treatment when Ibercorp's shares fell steeply.

Amid reports of massive withdrawals of investor funds from Ibercorp's portfolio, the conservative opposition party, Partido Popular, has called for a parliamentary investigation into possible fraud by Ibercorp's co-presidents, Mr Manuel de la Concha, a former chairman of the Madrid stock exchange and Mr Jaime Soto, one of the most aggressive of the new breed of Spanish bankers.

Mr Varez, whose board was yesterday negotiating terms of Ibercorp's acquisition, is one of the few socially reclusive members of a domestic class of financier increasingly dominated by flamboyant individuals.

He launched Agepasa in 1974 and then bought a banking licence in 1988 to create Banco Inversion. It is understood Mr Varez is keen to revamp Ibercorp's stockbroking arm in order to complement his group's specialisation in asset management and bond markets.

Drugs hold Akzo fall to 5%

By Ronald van de Krol in Arnhem

AKZO, the Dutch chemicals group, posted a 5 per cent decline in net profits before extraordinary items in 1991, with buoyant results in pharmaceuticals helping to outweigh a sharp decline in the profitability of the fibres sector.

Net profits on normal business operations before extraordinaries eased slightly to Fl 691m ($373.5m) from Fl 729m in 1990, which the company described yesterday as "reasonably satisfactory" given continued recession in the US and an economic downturn in Europe and Japan.

Net extraordinary charges of Fl 111m, which mainly represent the costs of Akzo's planned reorganisation and streamlining, pushed overall net profit down to Fl 580m, a decline of 13 per cent compared with 1990, when extraordinary charges totalled Fl 64m.

Akzo repeated the statement made earlier this month that it would maintain its 1991 dividend at Fl 6.50 in spite of the high costs of its restructuring programme. Mr Aarnout Loudon, company chairman, said it was impossible to predict results for the current year because of uncertainties about the world economy, but added that "the proposal to pay an unchanged dividend expresses a measure of confidence in the performance of the business in 1992".

Operating profit fell Fl 105m to Fl 1.16bn but this decline was largely offset by a Fl 91m reduction in financing charges, enabling after-tax earnings on consolidated operations to remain roughly unchanged at Fl 615m. However, a steep decline in earnings at Century Enka, a 40 per cent-owned fibres joint venture in India, cut the profit contribution from non-consolidated companies to Fl 64m from Fl 103m.

The pharmaceuticals division, the smallest of Akzo's four in terms of sales, made the single biggest contribution to earnings, with operating profits rising to Fl 514m from Fl 429m.

Operating results in fibres, however, was more than halved to Fl 102m from Fl 218m.

Mr Loudon said a further 1,000 jobs might be cut in Germany, where two-thirds of the division's operations were located.

Both the coating and chemical divisions reported profit declines of around 12 per cent each for 1991.

Barclays Bank falls 30% to £533m

By Robert Peston in London

BARCLAYS yesterday ceded the title of the UK's most profitable bank to Lloyds Bank, when it disclosed that profits in 1991 had fallen 30 per cent to £533m ($932m). Like its rivals, Barclays has been hurt by record losses on UK loans. It made a provision of £1.76bn, up from £1.3bn the previous year, to cover the risk of losses on loans.

The recession also caused a sharp increase in losses due to fraud, according to Mr Peter Wood, Barclays finance director. Credit card fraud resulted in losses of around £30m.

The fall in profits meant Barclays was forced to withdraw £96m from reserves to meet the £338m cost of its dividend, which was 21.2p a share, unchanged from the previous year. "This is the first time that Barclays has been unable to finance its dividend from profits", said Mr Wood.

Mr Wood said there had been long debates among Barclays' directors about whether the dividend should have been cut.

Like its rivals, Barclays has been cutting its workforce to reduce running costs. Sir John Quinton, the chairman, said staff numbers had been reduced by more than 5,000 in 1991 and that "thousands" more employees were to go in the current year.

The bulk of Barclays' bad debt charge stemmed from the financial difficulties of small companies and individuals. Sir John said it was worrying that a sharply rising number of older established companies – which had been "sound banking propositions" – were running into difficulties. It was not simply young, fragile businesses which were collapsing, he said.

"Bad debts are likely to remain at a high level this year", he said. But he added that there were "faint" signs of an improvement.

He said that the bank was retraining lending staff to try to prevent a repetition of the loan losses. He also said that the bank would no longer lend to the smallest most fragile businesses.

But he stressed that Barclays would continue to lend to sound businesses and would not deliberately contribute to a "credit crunch" which would hold back recovery in the UK economy. However, he admitted there was a risk that individual managers, chastened by bad debt charges of last year, might be wary of lending, even to sound customers.

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Commercial Union in the red but increases dividend

By Richard Lapper in London

RECESSION-related losses in the UK have pushed Commercial Union, the insurance group, into a pre-tax loss of £68.6m ($120.05m) for 1991 from a profit of £1.4m in 1990. This is the first loss incurred by the composite insurer since the mid-1980s.

However, the result is likely to be better than those to come from other UK insurers during the next few weeks.

CU has largely avoided the damage inflicted on some competitors by domestic mortgage indemnity claims.

The company's management was sufficiently confident about the group's underlying financial strength and the positive impact of recent rises in insurance rates to announce a 3 per cent increase in the dividend to 23.65p.

Mr Steven Bird, analyst with Smith New Court, the securities house, said the decision had reassured the market which marked the shares up 10p to £4.60. "The loss is due to cyclical factors but everything appears to be under control," he said.

Underwriting losses rose to £462.6m from £344.8m, but were offset by investment earnings of £271.6m, up from £243.5m. Life profits rose to £114.3m from £102m, and earnings from associated undertakings to £8.1m from £700,000.

After realised investment gains, which rose to £49.8m from £20.8m, losses attributable to shareholders fell to £15.5m, against a profit of £22.2m.

The cost of the dividend amounted to £104.8m, taking shareholders' funds to £1.21bn, from £1.23bn.

Mr Tony Wyand, finance director, said the average solvency ratio (the yardstick which measures net assets as a percentage of non-life premium) for non-life business amounted to 63 per cent.

Underwriting losses were concentrated in the UK, rising to £226.5m from £145.4m. Mr Peter Ward, general manager UK, singled out the effect of the recession. Industrial fire claims rose 21 per cent to £109.3m, with arson claims leaping from £9m to £20m.

Mr Ward also said property and motor theft claims increased by 38 per cent. Domestic theft claims rose from £33m to £51m.

CU also sustained underwriting losses in Europe. Outside the Netherlands, where Delta Lloyd reduced its underwriting loss to £17.4m from £26.7m, underwriting losses rose from £52m to £76m.

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Oerlikon has loss but sees rally

By Ian Rodger in Zurich

OERLIKON-BUHRLE has reported an operating loss of SFr200m ($134.2m) for 1990 – its sixth loss in as many years – but its new chairman said yesterday the troubled Swiss armaments and industrial group was beginning to recover.

"We can now think about shaping the future rather than coping with the past," Mr Hans Widmer said.

Oerlikon has been in decline for several years, mainly because the former management, led by Mr Dietrich Bührle for 34 years, was reluctant to restructure its businesses, especially the armaments-making side, to take account of changing market conditions. Group sales last year of SFr3.6bn were 25 per cent lower than in 1985.

In late 1990, with borrowings soaring, the big Swiss banks forced Mr Bührle to resign and named Mr Philippe de Weck, the retired chairman of Union Bank of Switzerland, to plan top management changes.

Mr Widmer, head of the Schweiter textile machinery group, was appointed chairman in April and has since led a massive restructuring effort, backed by a SFr300m capital infusion in June. By the end of the year, employment was down to 18,500 compared with 26,400 in 1990. Net debt had been reduced to SFr1.8bn from SFr2.6bn at the end of 1990. Negative cash flow dropped from SFr150m in 1990 to SFr20m last year.

Provisions for restructuring amounted to SFr700m, but Mr Widmer said the actions taken would lead quickly to a turnround in cash flow. The group officially forecast it would be between SFr160m and SFr230m but Mr Widmer said yesterday it could rise to SFr290m.

Among the group's divisions, Oerlikon-Contraves suffered a 10 per cent decline in sales to SFr1.56bn, but the order backlog was at a near record SFr4bn level, mainly for anti-aircraft missile launchers.

Loss provisions hit Baltica

BALTICA HOLDING, which controls the Baltica insurance and banking group, has downgraded its December forecast of profits of DKr850m ($133m) for 1991 to between DKr200m and DKr300m, writes Hilary Barnes in Copenhagen.

This follows large loss provisions by the banking side and losses on credit and guarantee insurance business.

SEB to fund property unit

SKANDINAVISKA Enskilda Banken plans a cash infusion for its real estate credit company Svensk Fastighetskredit, AP-DJ reports from Stockholm.

In a first phase, SFK will receive SKr1bn ($168m) over the first four months of 1992, SEB said. The cash infusion comes on the back of a 47 per cent decline in SFK's operating profit to SKr267m in 1991.

The fall reflects a jump in provisions for loan losses, to SKr285m from SKr20m a year earlier, SEB said. SFK's new lending last year amounted to SKr16.6bn, which brought its total lending volume to SKr103.9bn at the year-end.

Earlier this week, SEB, Sweden's biggest bank, reported a near 30 per cent fall in operating profits to SKr2.32bn for last year after heavy credit losses.

Better margins return BfG to profit

By David Waller in Frankfurt

BfG, THE former German trades union bank which has been in the throes of a painful restructuring for the last two years and which is currently the subject of intense takeover rumours, achieved partial operating profits of DM78m ($47.2m) last year, compared with the losses of DM252m in 1990.

Mr Paul Wieandt, brought in as chief executive of the troubled bank in early 1990 and architect of the subsequent rationalisation, yesterday said BfG had finally turned the corner after two exceptionally difficult years and that the profits result was far better than expected.

Operating profits were DM120m last year and are likely to rise to DM320m in 1992, he said.

The results benefited from a rise in interest rate margins, a deliberate decision to move out of unprofitable lending, and sharply reduced costs, reflecting a reduction in the number of branches and in the number of staff. The headcount dropped from 6,500 to 5,700 at the end of last year, down from 7,400 when Mr Wieandt took over.

BfG, 51 per cent owned by the Aachener & Münchener Beteiligungs (AMB) insurance group, has recently become something of a pawn in the complex battle between AMB's management and Assurances Générales de France (AGF), which has accumulated a 25 per cent stake in AMB.

Earlier this month, it emerged that AMB was considering a reconciliation with AGF on condition that AGF brought Crédit Lyonnais, the French state-owned bank, in as a buyer of at least a partial stake in BfG.

Mr Wieandt refused to comment on persistent rumours that a deal with Credit Lyonnais was imminent. He said an international alliance would be useful to help the bank's capital position.

Direct talks with the French bank had taken place but were now over, he said. This still leaves open the possibility that BfG's fate will be sealed by talks between AMB, AGF and the French bank.

French court rules that Exor must bid for Perrier

By William Dawkins in Paris

ITALY'S Agnelli family yesterday vowed to fight to the end for control of Perrier, the celebrated French mineral water company, despite fresh complications thrown up by a Paris Appeals Court ruling.

The court declared that Exor, the Perrier holding group controlled by the Agnellis and their allies, must launch a bid for Perrier itself. The water group is also facing a hostile direct bid from Nestlé, the Swiss food multinational, launched last month.

Depending on the outcome of Exor's talks with stock market regulators, this could increase the cost of the Agnelli approach of using Exor to gain control of Perrier, without launching a direct bid.

Exor had asked for this obligation to be suspended while the court made up its mind on Exor's appeal for exemption from a ruling by the Conseil des Bourses de Valeurs (CBV) that it should bid for the water group. That decision is expected in mid-April.

However, Mr Giovanni Agnelli, chairman of Fiat, said yesterday: "We cannot give up because of this." Speaking in Rome, he admitted frustration. "This French affair has become long, intricate and tiresome for all," he told Reuters news agency. But the battle could be "lengthy and finish well," he added.

Exor and its allies have acquired 49 per cent control of Perrier, well above the 33 per cent threshold at which Exor should normally launch a two-thirds bid, under French takeover rules.

The cost of buying the extra 17 per cent needed to lift the stake to 66 per cent would in theory be nearly FFr1.9bn ($341m) at the FFr1,235 per share at which Perrier last month sold a stake to Saint-Louis, the sugar company allied to the Agnellis.

Nestlé, the Swiss food multinational, launched a rival hostile bid for Perrier at FFr1,475 per share a few days later, but Exor lawyers argued yesterday that it could discharge its legal obligations by making an offer at the lower price.

Presumably, nobody would then accept, so Exor and its allies could continue to hold their 49 per cent stake at no extra cost. Exor said it would discuss the details of when and at what price it would bid with the CBV.

Celsius in $42m ordnance deal

By Robert Taylor in Stockholm

CELSIUS, the Swedish state-owned industrial group, is to acquire Nobel Industries' half-share in Swedish Ordnance, the armament company, for SKr250m ($42.1m).

The deal will transform Celsius into Sweden's leading military equipment manufacturer with an annual turnover of nearly SKr13bn, a capital base of SKr2.8bn and liquidity of SKr4.3bn.

Swedish Ordnance was established at the end of 1990 as a joint partnership between the Bofors division of Nobel and FFV, the state-owned arms company.

It makes advanced weapon systems for tanks, anti-aircraft equipment, naval vessels as well as battle vehicles, and employs 6,300 people. Last year, its sales totalled SKr4.7bn.

Celsius includes the Kockums group of marine technology products, including submarines and surface combat ships which account for some 60 per cent of its business activities.

As part of the deal, Celsius and Nobel industries have also agreed to spend SKr375m on restructuring the Swedish Ordnance's defence equipment activities. The company is also being provided with SKr600m in risk capital.

"Swedish Ordnance has now achieved the economic conditions to carry through the structural measures that have been agreed on," said Mr Olof Lund, Celsius's chief executive. The company has an order book totalling SKr9bn, he said.

Mr Lund said there were now real possibilities of expanding arms sales abroad and establishing closer co-operation with foreign defence industries.

Celsius is one of the state companies awaiting privatisation.

March group in Pta50bn utility sales

By Tom Burns

MARCH GROUP, the Spanish family-owned conglomerate, is seeking to raise Pta50bn ($490m) from the sale of electric utility interests.

The hydroelectric energy business, which is based in the Pyrenees and has an installed capacity of 300MW has been offered to Endesa, the state-controlled utility and also to Iberdrola, the rival utility which is privately owned.

The disposal is the first affecting Aragonesas, a group acquired in 1988 by Uralita, a leading construction material company controlled by the March group.

The disposal, expected to raise up to Pta50bn, is the biggest yet planned by the March group. Last year, the March family, whose interests span banking as well as industry, sold its minority stake in Finanzauto, the top public works machinery distributor in Spain.

Madrid analysts said yesterday that the move appeared aimed at breaking up Aragonesas, which is expected to make a loss for 1991. They added that there was now a question mark over the future of Aragonesas' chemical assets which were supplied directly by the electricity producer.

The utility contributed about a third to Aragonesas' Pta3.36bn profits in 1990. But the company has been hit by sharply reduced earnings at its PVC manufacturer, Aiscondel.

KLM and BA act on BFr2bn Sabena debt

By Daniel Green in London and Andrew Hill in Brussels

BRITISH AIRWAYS and KLM, the Dutch airline, have started legal proceedings in the Belgian courts over BFr1bn ($29.4m) of debts owed to each of them by Sabena, the Belgian state-owned carrier.

The cash was due to be repayed at the end of 1991, since when talks between the three airlines over the timing of the cash transfer have run into the sand.

"We were no longer able to get a real answer from Sabena, so we went to court," said KLM yesterday. BA said the action was "to protect its position", but that talks were nevertheless continuing.

KLM and BA said they and Sabena would appear before a judge in Brussels on March 5 for a preliminary hearing.

Sabena said it had not been formally notified about the BA/KLM action, but that BA and KLM had said they intended to lodge a legal complaint.

It blamed its failure to pay on delays to a separate tie-up with Air France. That deal, which would probably involve a cash injection of about BFr6bn, was frozen when the Belgian government collapsed last October.

It also argued that the deal included a clause imposing interest charges on the loan at 8 per cent from the beginning of 1992. However, KLM replied that an extension to the loan was only allowed if all three airlines agreed to it, while BA said it had not received any interest payments.

BA and KLM invested the money as a prelude to taking a 40 per cent stake between them in a new operation, Sabena World Airways, intended as a Brussels-based operation flying to 75 European cities. The plan was scrapped in December 1990 and the investment converted into a loan.

● The European Commission confirmed yesterday it had imposed a fine of Ecu750,000 ($604,838) on Aer Lingus, the Irish airline, for refusing to grant reciprocal ticketing rights to British Midland, the UK carrier. It said Aer Lingus had abused its dominance of the London-Dublin route.

Wal-Mart beats trend with 24% rise in profits

By Nikki Tait in New York

WAL-MART Stores, the Arkansas-based discount stores chain which is now the world's largest retailer in sales terms, yesterday disclosed a 34.6 per cent jump in turnover last year to $43.9bn and a 24.6 per cent increase in net profits to $1.6bn from $1.29bn.

At the earnings per share level, Wal-Mart reported a 22.8 per cent improvement, to $1.40.

Wal-Mart's figures contrast sharply with those delivered by many US retailers – in particular, the traditional department stores – who have been badly affected by the grim economic climate and the general slump in consumer spending.

Growth during the fourth quarter was roughly in line with that for the year. Sales in the three months to end-January totalled $13.6bn, up from $10.4bn in the same period a year earlier.

Net profits rose 25 per cent to $602.4m and earnings per share rose to 52 cents from 42 cents.

In part, Wal-Mart's sales growth stems from a ferocious store expansion programme. In the fourth quarter, for example, it opened 68 new Wal-Mart stores, which sell low-priced general merchandise, and 15 Sam's Clubs.

Sam's Clubs are warehouse club operations, sited in out-of-town "barns" and selling a limited range of goods at deeply-discounted prices to a membership customer base. Wal-Mart is the biggest operator in this fast-growing market niche.

However, for much of last year, the group also posted double-digit "same-store" sales growth.

The results for 1991-2 were scored after interest charges of $113.3m, more than double the $42.7m in 1990-91. The increase in total costs and expenses also slightly exceeded sales growth – rising by 35.4 per cent to $41.7bn.

The results were much as analysts had expected, however, and shares in Wal-Mart – which has grown from one "five and dime" store 40 years ago to overtake Kmart and Sears Roebuck as the nation's largest retailer – rose $¾ to $51¾.

Investcorp to inject $300m into Saks

By Nikki Tait

INVESTCORP, the international bank formed in 1982 as a conduit for Arab money into western industry, is to inject $300m of new equity into Saks Fifth Avenue, the US retail group which it acquired via a leveraged buyout from Britain's BAT Industries in 1990.

This is the first new equity financing since the buyout, although Saks has securitised its property and trade receivables and issued Euro-notes as means of paying down bank debt.

At the time of the $1.6bn buyout, the capital structure comprised $600m of equity and about $350m of subordinated debt supplied by Investcorp and its associated investors, and $775m of bank financing, led by Manufacturers Hanover.

Yesterday, Mr Arthur Martinez, Saks vice-chairman, said the bank debt had since been reduced to around $325m by the post-buyout financial restructurings, and the new equity funds would go primarily towards paying down the expensive subordinated debt.

There have been rumours of poor operating performance at Saks and late payments to suppliers. However, Mr Martinez emphatically denied the latter, and said that although "trading was clearly very difficult" and "it was very hard to achieve plans," the group remained "substantially" profitable.

Shortly after the buyout, a confidential memorandum surfaced, indicating Saks had fallen short of trading projections.

The equity injection, Mr Martinez said, was designed continue the "de-leveraging" of the company and fund a new "growth plan".

Saks accompanied news of the equity injection with an announcement of a $250m investment plan in new stores, renovations and infrastructure improvements.

It said that much of this money would be invested in the next two-and-a-half-years, with five new "replacement" stores planned. According to Mr Martinez, the plans could envisage four to six new stores, although sites are not firm. Saks operates 48 stores.

Tide turns for eastern shipbuilders

John Ridding and Robert Thomson on recovery in the Japanese and Korean shipyards

JAPANESE and South Korean shipbuilders have emerged from the troubled waters of recession aware that the most significant threat to their dominance of the international shipbuilding industry is rivalry between them.

Companies in both countries have full order books, rising profits and a lead in new construction and environment-related technologies. While they have survived the market turbulence of the past decade, they no longer regard the European industry as a serious threat, and Japanese builders are turning down orders in the expectation that vessel prices can only increase.

Mitsubishi Heavy Industries (MHI), the largest Japanese builder, said "we were spilling blood a year ago", but now "business is smooth".

In Korea, the revival has been rapid. Daewoo Shipbuilding, the country's second-biggest yard, was rescued by the government in 1989, but this year is likely to report its first annual profit since 1983.

The two industries, which say they had a new-found "harmony" after years of intense rivalry, are expected to take 70 per cent of the world market in large vessels this decade, and they are setting a course to continue their domination into the next decade.

Japan's big seven, including Mitsui Engineering and Shipbuilding and Hitachi Zosen, had diversified away from shipbuilding after the first oil shock in 1973 and the collapse of new orders.

As a percentage of the total of heavy industrial companies' sales, shipbuilding fell from 22 per cent in 1984 to about 10 per cent last year, but the builders expect the figure will rise slightly and be a source of steady profits.

In achieving these results, the companies have steered clear of trade friction with Washington, which decided two years ago not to proceed with a formal investigation into allegations by US builders that Japan's "restructuring plans" were a guise for unfair government subsidies.

Government assistance has certainly played an important role in reviving the two industries, but Japanese and Korean companies now control their own destiny, having last year captured about 65 per cent of the world market.

Replacement demand for oil tankers built in the early and mid-1970s has combined with new demand for vessels to fill company order books – Japanese companies had an order backlog last September 14.2 per cent higher than the previous year.

Demand is also coming from an increased emphasis on environmental safety, leading to changes in vessel design and increased demand for vessels to carry liquid natural gas (LNG), seen by Asian governments as an alternative energy source to oil and coal.

Government assistance played an important part in reviving the industry

US legislation, prompted by the Exxon Valdez disaster in March 1989, requires the gradual introduction of double-hulled tankers, regarded as less prone to spills but 20 per cent more expensive to build.

Meanwhile, officials at the Japan Marine Research Institute expect demand for 20 to 25 new LNG ships by 1995 and close to 50 by the year 2000.

Japanese builders have a natural advantage because of about 18 new LNG projects likely to produce demand for vessels, 10 have been backed by Japanese energy companies, while South Korean utility companies are funding three.

The Japanese industry has survived in spite of fears that shipbuilding would be transferred to lower-cost countries such as China, largely by the introduction of labour-saving technology.

In 1973, a very large crude carrier (VLCC) took a Japanese company about 1m man-hours to build, but the figure is now close to 270,000 man-hours for the most efficient yard run by Hitachi Zosen, one of the leading builders. The big savings have been in welding, which is about 65 per cent automated, and steel cutting, about 80 per cent automated.

SHIPBUILDING ORDERS (End-June 1991)

Country	Gross Tonnage (m)
Japan	15.16
South Korea	6.96
Denmark	1.93
Germany	1.84
Italy	1.52
Taiwan	1.38
Yugoslavia	1.29
Brazil	1.21
China*	1.01
Romania*	1.00
Spain	0.99
Poland	0.98
France	0.78
UK	0.55
Finland	0.34
Turkey	0.30
USSR*	0.30

*Information incomplete

Source: Lloyds Register of Shipping

The second advantage for the Japanese companies is that they are essentially rebuilding the fleets of the large Japanese shipping lines. These shippers have traditionally placed orders with Japanese builders, without much regard to cost, which is now about 10 per cent higher than Korean or Taiwanese yards.

The Korean Shipbuilders Association said a VLCC now cost about $100m, compared with $38m in 1986. It was a measure of the Japanese yards' confidence that Nippon Yusen, the Japanese flag carrier, last year ordered two bulk carriers from a Taiwanese company, the China Shipbuilding Corporation, the first it has ordered from outside Japan since the end of the Second World War.

Nippon Yusen said Japanese yards had told it they would not be free to handle that type of vessel for two or three years. The determination of Japanese companies to limit supply has created opportunities for Korea.

"The Japanese cannot continue to expand," says Mr Cho Choong Hooy, executive vice-president for sales at Hyundai Heavy Industries, Korea's largest builder. With many of the problems facing the Korean industry in the late 1980s now resolved, they are set to reverse the trend of falling market share. This decline saw the share of outstanding international orders placed at Korean yards fall from 30.2 per cent in 1987 to 24 per cent in 1990.

An important change for the Korean industry has been in labour relations. The violent clashes between workers and riot police which had seemed set to become an annual ritual at the end of the 1980s have now largely subsided. The effects of improved labour relations are clearly visible on the company's accounts.

Samsung Heavy Industries, like Daewoo Shipbuilding, will return its first profit since the early 1980s. Halla Heavy Industries last year reported its first profit since 1977.

The improvement in labour relations has made foreign shipping lines more confident about placing orders at Korean yards, as the likelihood of a delay in delivery – an important consideration for fleet operators – is now remote. This has removed a traditional advantage for the very punctual Japanese yards and reduces the threat of competition from Chinese yards which have also earned a reputation for tardiness.

Japanese and Korean builders expect longer-term but limited competition from China and some competition in LNG carrier construction from French builders, which had dominated the sector two decades ago. In the 1970s, about 24 yards worldwide were capable of building LNG ships, but now there are only 12, eight of them in Japan.

Having established themselves as the world's second largest shipbuilders, the Korean yards now have become less aggressive competitors. Japanese executives say that Korean companies now understand the importance of "harmony" in the industry – the implication is that the deep discounting of the past is over.

"It used to be that the Koreans would ask you what your best price had been from the Japanese and then they would just offer you 10 per cent less", said one foreign shipping executive in Seoul. "But now there is not the same hunger to carve out market share."

News Corp hopes to raise up to $1bn

By Alan Friedman in New York

MR RUPERT MURDOCH, the international media magnate whose News Corporation last year restructured $8.2bn of group debt, said he hoped to raise up to $1bn over the next 12 months through long-term securities that will allow News Corporation to reduce its level of bank debt.

Mr Murdoch, who on Monday announced plans to succeed the departing Mr Barry Diller as chairman and chief executive of News Corporation's Fox movie and television group, disclosed the debt reduction plan in an interview.

"We are going to have good profits at News Corp (in the year that ends this June 30) and as credit ratings improve we will go for more long-term debt issues to pay down more bank debt," he explained.

Turning to Fox, which contributed around $340m of News Corporation's operating income of $1.2bn in the financial year to last June 30, Mr Murdoch said he planned to devote three weeks out of every month on the day-to-day operations of Fox Inc, the parent company of the 20th Century Fox movie studio and the Fox television network.

Mr Diller, who built the Fox TV network single-handedly over the past five years, surprised the US entertainment industry when he resigned on Monday in order to form or acquire his own business.

"I never though of bringing anyone else in," said Mr Murdoch, adding that he had moved his base of operations to Los Angeles last year and planned to be at Fox "as much as Barry was".

"Now I can get back to what I like to do the best, which is running the business," said Mr Murdoch, adding that Fox represents the biggest part of News Corporation's earnings.

He said Fox's total operating income was likely to be $20m to $25m below last year's $340m level in the year to June 30, with the movie studio's profits down by $30m to $40m and the television network's earnings improved.

Mr Murdoch added he planned to be involved in all aspects of the film and television business, including decisions on which films to make.

He admitted he does not have film experience, but explained: "The role I have to play is to say no, to employ an editor's judgment on movies and to make people sell ideas to me."

Berlitz review may lead to sale

BERLITZ, the language school subsidiary of Maxwell Communication Corporation, has hired the Wall Street stockbroking firm of Donaldson, Lufkin & Jenrette (DLJ) to conduct a strategic review that could lead to the sale or recapitalisation of the company, writes Alan Friedman.

Berlitz said DLJ would consider alternatives, including the sale of all or part of the company. Another option would be the continued New York Stock Exchange listing of Berlitz as an independent company.

UAL may take stake in French airline

By Daniel Green

UNITED AIRLINES of the US is understood to have had talks on taking a minority stake in Transport Aerien Transregional (TAT), the French regional airline opening 10 new routes in Europe over the next few months.

It is thought to be the only one of the top three US carriers to have done so.

UAL joins British Airways in looking at a stake of up to 20 per cent in TAT. Senior executives at TAT have indicated they are in preliminary talks with up to four other carriers, but not American Airlines or Delta Airlines.

TAT also announced it was starting all-business class routes in Europe using Paris as a hub. Services include Paris-Milan, from March 9, and Paris-London, from March 30.

It is looking for a strong international partner following the disposal last year by Air France, the French national airline, of its 35 per cent stake.

Mr Michel Marchais, founder of TAT, said he was prepared to sell 20 per cent of his family's 72 per cent controlling interest to another airline.

US court rules against tax claim

By Martin Dickson in New York

THE US Supreme Court has quashed corporate America's hopes of getting tax deductions for the investment banking and legal fees companies incur during a friendly takeover.

Its ruling could also embolden the Internal Revenue Service, which apparently wants to make it much harder for companies to deduct from taxes the cost of defending hostile bids – a move which could mean large tax bills for many companies involved in the 1980s takeover wave.

The Supreme Court's decision involved the friendly 1978 takeover of Indopoco, formerly called National Starch, by Unilever, the Anglo-Dutch consumer products giant.

National Starch subsequently claimed tax deductions as ordinary business expenses for $2.9m in fees paid to its investment bankers and lawyers.

The IRS disputed the claim, arguing the costs should not be deductible because they produce a significant long-term benefit for the company. The tax court and a federal appeals court both ruled in the IRS's favour and yesterday the Supreme Court added its weight as well.

Last autumn, the IRS sought to extend the "long-term benefit" argument to a company involved in a contested takeover, an action widely interpreted by tax lawyers as part of a move to clamp down on hostile bid deductions generally.

Alcan forecasts continued oversupply

By Robert Gibbens in Montreal

ALCAN Aluminium says oversupply of metal will persist this year despite a slowdown in exports from the former east bloc to the west in the first two months.

Alcan is maintaining its quarterly dividend of 15 US cents but expects another tough year, says Mr David Morton, chairman.

The Canadian company has pared capital outlays to US$550m from US$880m in 1991 and the investment will be confined to completing rolling mill capacity in the US and Germany. However, Alcan will keep environmental spending up to US$120m.

Mr Jacques Bougie, president, said Alcan will cut another US$300m from its cost base in 1992 and more in 1993. Productivity targets throughout its bauxite, alumina, smelting and fabricating operations worldwide are now set in a five-year time frame.

He said that although recent spot market prices reflected the slowdown in the flow of east European metals to the west, Alcan was being extremely cautious and suspects the inflow will resume soon due to foreign exchange pressures.

Alcan has stopped work on the Kemano hydro-electric project in northern British Columbia, required for the expansion of its smelter nearby, following a court judgment on environmental issues now under appeal.

In 1991, Alcan posted a loss of US$36m, or 25 cents a share, against a profit of US$543m, or $2.33, in 1990. Revenues were US$7.75bn against US$8.7bn.

Setback for Canadian resource companies

By Robert Gibbens

TWO Canadian resource companies, Repap and Westar Mining, have reported large 1991 losses, but they are looking to a lower Canadian dollar and firmer world markets to bring an improvement this year and in 1993.

Repap Enterprises, one of North America's biggest coated paper producers with mills in New Brunswick and Wisconsin, reported a 1991 loss of C$180m (US$151.2m), or C$2.90 a share, including C$30m special charges. This compares with a profit of C$3.1m, or 13 cents, in 1990.

Revenues were C$1.06bn, down 13 per cent. Half the loss came in the fourth quarter when market conditions led to temporary shutdowns.

About one-quarter of Repap's business is making softwood craft pulp for the US and other markets. The Canadian paper mills also export most of their output to the US.

Since the end of 1991, the Canadian dollar has declined about four basis points to about 84 US cents and pulp prices have risen from US$480 a tonne to US$540. Repap and other producers seek a 7.5 per cent increase on April 1 to US$580.

Firming markets and the lower dollar should help Repap this year, although it might not return to profitability till 1993, analysts said.

Westar Mining lost C$62.2m, or C$3.66, on revenues of C$457m in 1991, against a loss of C$4.4m, or 49 cents, on revenues of C$446m in 1990. The company has been hit by lower coal prices and higher mining costs.

Westar, British Columbia's biggest coal producer, is negotiating to restructure its C$336m debt.

It shipped 9m tonnes in 1991, up 6 per cent on 1990. Its market is mainly Japan and a lower a dollar will help in 1992.

Westar Group, which owns 66 per cent of Westar Mining, is selling its forest products affiliate.

● Quebecor, the communications group, through its printing subsidiary is planning to buy 60 per cent of Nadco Directory, a mid-sized US printer of directories, from BCE. The price was not disclosed.

The US firm has annual sales of about US$70m. BCE, holding company for Bell Canada and Northern Telecom, will retain 40 per cent.

Quebecor Printing is North America's second biggest commercial printer. It bought the late Robert Maxwell's graphics business in the US two years ago and has completed several other acquisitions since then, including one in Mexico.

BCE is moving out of printing to concentrate on its communications and equipment business, plus a Canadian financial services subsidiary.

It has taken 60 per cent control of SHL Systemhouse, an international computer systems integrator, meshing Systemhouse operations with its own telecommunications business.

AHP faces $1bn jobs charge

By Alan Friedman

A $1bn lawsuit concerning the alleged transfer of nearly 1,400 factory jobs from the US mainland to Puerto Rico was filed yesterday by trade union representatives against American Home Products (AHP), the US pharmaceuticals company.

An unusual aspect of the lawsuit, which also names the governor of Puerto Rico as a defendant, is that it is has been filed under the controversial Racketeer Influenced and Corrupt Organisations Act (RICO), an umbrella law which provides for the tripling of damages in the case of a court victory.

The main allegation is that AHP, which opened plant in Puerto Rico in 1983 and 1987, made use of US and Puerto Rican tax credits connected to the sheltering of profits earned from the Puerto Rican factories and that development grants and training subsidies were obtained to "illegally destroy mainland jobs by creating duplicate capacity in Puerto Rico".

The lawsuit says nearly 1,400 jobs were lost in AHP plants in Indiana and Pennsylvania as a result of the opening of the Puerto Rican plants, which make Anacin, Advil and other over-the-counter and prescription drugs.

It claims AHP used a provision of US tax law that grants US companies 100 per cent tax credits on profits made by Puerto Rico subsidiaries.

The suit alleges the governor and other officials of Puerto Rico ignored their duty to thoroughly explore the adverse potential impact on US mainland employment resulting from the opening of the new AHP plants.

It seeks damages of $1bn and to void a further $500m of estimated AHP accrued tax benefits since 1985.

The case could create a precedent suggesting that US companies might be liable for job losses related to the transfer of production facilities outside the US.

AHP said it could not comment on the lawsuit, which it had not yet received.

Telmex earnings advance

By Damian Fraser in San Antonio, Texas

TELMEX, Mexico's telephone monopoly, recorded net profits of 6,986bn pesos ($2.26bn) last year, a 77.8 per cent inflation-adjusted increase over 1990.

The higher-than-expected increase pushed the price of Telmex's American Depositary Receipts, traded on the New York Stock Exchange, up $3 to $58 in early trading yesterday.

Telmex's operating income rose by 46.5 per cent thanks to substantial rises in tariffs and line expansion. In the last quarter, Telmex installed 299,000 new lines, compared with 346,000 in the first nine months of the year.

Telmex made $488m in financial gains last year, of which $204.3m came from a debt swap arranged between Telmex and the Mexican government.

Other gains came from profits on the interest spread between Telmex dollar debt and peso denominated cash, according to Mr Scott Kald of Smith Barney in New York.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales

Provisional Price for Trading on 5.02.92 | Final Prices for Trading on 30.01.92

1/2 hour period ending	Pool purchase price £/MWh	Pool purchase price £/MWh	Pool selling price £/MWh
0030	17.05	17.18	17.18
0100	17.08	17.48	17.48
0130	17.09	17.59	19.85
0200	17.09	17.59	19.65
0230	17.05	17.47	17.47
0300	17.05	17.24	17.24
0330	17.05	17.46	17.46
0400	17.04	17.21	17.21
0430	17.03	17.20	17.20
0500	17.04	17.19	17.19
0530	17.04	17.16	17.15
0600	17.04	17.15	17.15
0630	17.05	17.18	17.16
0700	17.08	17.47	17.47
0730	17.97	19.27	21.40
0800	17.97	22.98	25.28
0830	17.97	23.11	25.43
0900	17.97	23.44	25.84
0930	18.18	23.65	26.09
1000	18.32	23.71	26.17
1030	18.32	23.52	25.93
1100	18.32	23.36	25.74
1130	19.78	23.35	25.72
1200	20.34	23.37	25.75
1230	20.33	23.23	25.57
1300	19.77	23.05	25.34
1330	19.71	20.24	22.38
1400	17.51	19.24	21.34
1430	17.10	19.18	21.28
1500	17.10	17.62	17.82
1530	17.38	17.55	17.55
1600	17.38	17.69	17.69
1630	17.10	23.76	27.18
1700	18.32	56.06	66.18
1730	19.75	67.58	77.83
1800	20.63	64.51	73.93
1830	29.87	37.43	42.22
1900	28.84	23.41	25.97
1930	23.26	22.15	24.41
2000	20.54	19.32	21.44
2030	18.15	19.18	21.27
2100	18.15	19.14	21.23
2130	17.90	19.07	21.15
2200	17.58	17.49	17.49
2230	17.05	17.16	17.16
2300	17.04	17.13	17.13
2330	17.04	17.13	17.13
2400	17.04	17.09	17.09

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.86/MWh becomes 1.686p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The provisional Pool Purchase Price is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Final pool prices are also capable of revision.

NGC Settlements Limited

INTERNATIONAL COMPANIES & CAPITAL MARKETS

Asahi Glass results hit by building downturn

By Robert Thomson in Tokyo

ASAHI Glass, the leading Japanese glass-maker, reported a 19 per cent fall in consolidated pre-tax profit, to Y63.59bn ($496.79m), in the year to end-December. The results reflect the downturn in the country's construction and car industries.

Sales rose 1.1 per cent to Y1,248bn, while parent company sales rose 0.4 per cent to Y1,022bn. Pre-tax profit fell by 5.3 per cent Y60.23bn.

However, parent operating profit rose by 8.4 per cent to Y47.77bn. The company reported a significant fall in non-operating income from interest and dividends, and sales of shares in subsidiaries, which were affected by turbulence in Japanese financial markets.

It said sales of flat glass and construction materials slowed in tandem with a fall in new housing starts, but there was an increase in sales of high-performance glass for the industry. Slower demand from car-makers led to sluggish sales of fabricated glass, while total glass sales fell 0.8 per cent to Y526bn.

Asahi said "a quick expansion of domestic demand" was unlikely this year, and forecast a 3.7 per cent increase in parent sales to Y1,060bn.

Higher costs blamed for fall to Bt4.8bn at Siam Cement

By Victor Mallet in Bangkok

SIAM Cement, the Thai conglomerate and largest cement producer in the country, yesterday announced a fall in consolidated net profits to an estimated Bt4.81bn ($200m) in 1991 from Bt5.35bn in 1990.

It blamed increased costs for the decline. Although the profits were below expectations, this year's results are expected to benefit from low energy prices and increased local cement production capacity, which will reduce the need for expensive imports.

Consolidated net revenue was put at Bt53.17bn, up from Bt44.06bn in 1990.

For the parent company, net profit in 1991 fell to Bt3.89bn on net revenue of Bt35.60bn, compared with 1990 profits of Bt4.71bn on revenue of Bt31.06bn. Siam Cement proposed a final dividend of Bt9 a share, making an unchanged total of Bt18 for the year.

The company said it had held prices stable for most of its products while absorbing higher costs for fuel, financing and raw materials, including imported bagged cement, which has to be sold at the prevailing local price.

"Their capacity is increasing very substantially," said one broker in Bangkok, "so we expect their margins to increase very substantially, too, in the next two years."

Siam Cement plans to raise its annual capacity in Thailand to 16m tonnes by October and to 19.5m tonnes by 1995, from the current 12.4m tonnes.

Other investments include the group's first overseas factory – a ceramic tile plant in Tennessee in a joint venture with Finfloor of Italy – and a Bt6bn joint venture with Yamato Kogyo of Japan to make structural steel in Thailand. The group is also negotiating deals in Vietnam.

Mr Amaret Sila-on, the Thai commerce minister and former Siam Cement executive, forecast that the country's cement production capacity would double to 40m tonnes in the next five years. Although the industry was well-placed to compete in the region, he said, Thailand could be constrained in the long term by environmental and raw materials constraints.

Brierley raises its Air NZ stake

By Terry Hall in Wellington

BRIERLEY Investments (BIL) has increased its stake in Air New Zealand to 42.5 per cent. Its announcement yesterday came as the airline reported a sharp upturn in performance.

The airline's after-tax profit rose to NZ$58.27m (US$31.6m) in the six months to December 31, compared with NZ$10.88m for the six months to September 30 1990. The company has changed its year-end to June.

Operating profits swung from a loss of NZ$7.2m to a profit of NZ$65.5m. Abnormal items, relating to redundancy payments, reduced operating profit by NZ$7.3m.

Brierley said it had bought American Airline's 5 per cent stake in Air New Zealand for NZ$37m. It was paying NZ$1.80 a share, compared with a market price of about NZ$1.84.

The move follows widespread reports that Air New Zealand is to play a big role in the expected deregulation of the Australian airline industry.

American Airlines had previously tried to sell its stake to Qantas, which owns 20 per cent of Air New Zealand, but the sale was rejected by the government on the grounds that it would give Qantas market dominance.

When Air New Zealand was privatised, BIL bought an initial 65 per cent, but this was reduced to 35 per cent through a public flotation. Last year, BIL bought an additional 2.5 per cent from American Airlines.

Mr Bob Matthew, chairman, said Air New Zealand was on target to reach a NZ$85m operating profit for the year to June 30. He said the company usually experienced a much lower level of demand in the April-June quarter and the trend was expected to continue this year.

The company is reintroducing an interim dividend of 4 cents a share.

HK bank unit still in deficit

By Bruce Jacques

HONGKONG Bank of Australia, a wholly-owned subsidiary of the Hongkong and Shanghai Banking Corporation, has posted a net deficit of A$37.8m (US$28.4m) for 1991, adding to the litany of losses reported by foreign banks operating in Australia.

However, the result represents an improvement on the previous year's A$273m loss, and reflects a reduction in bad and doubtful debt provisions, from A$221m to A$128.4m.

It follows the announcement of a A$103m loss by NatWest Australia and a A$230m loss by Citibank.

Hanwa loses heavily on investments

By Emiko Terazono in Tokyo

HANWA, the Japanese steel-maker led by Mr Shigeru Kita, who is renowned for his love of *zaitech* – financial engineering – said it would post losses of Y25bn ($195.31m) on its stock and trust fund investments and long-term stock holdings for the current year to March.

Hanwa said the losses were due to liquidation of *tokkin* – specified money trusts – and other trust funds. The company expects to reduce funds under investment management to Y300bn, half of the balance of last September.

Hanwa has been famous among the Tokyo financial community for its active trading in the foreign exchange markets.

However, a company official said the negative image of stock investments and market speculation had prompted it to liquidate its holdings. The low return on equity investments has also caused Hanwa to review its investment strategy.

Hanwa said it would move to liquidate all its investment trusts for the time being. To cover the fund management losses, it expects to realise profits through sales of bonds and other investments.

Earnings projections for the current year to March are unchanged, and the company expects a 33 per cent fall in unconsolidated pre-tax profits to Y25bn, on a 0.3 per cent decline in sales to Y750bn.

Australian funds and life group returns to the black

By Bruce Jacques in Sydney

TYNDALL Australia, the funds management and life insurance group, has emerged from a period of restructuring with a strong revenue and earnings performance for 1991.

The company, in which Sir Ronald Brierley's London-based investment vehicle, GPG, acquired a large shareholding late last year, turned a A$72.4m loss into an A$8.6m (US$6.5m) profit, on revenues of A$24.1m against A$19.7m.

The previous result reflected large write-offs, particularly in life insurance operations. These have became the company's profit mainstay in 1991, earning A$9.4m pre-tax.

Mr Ron Hunwick, Tyndall managing director, said the company's disability and term life products had recorded growth of 46 per cent.

The company yesterday also launched a previously-announced A$7.5m rights issue, fully-underwritten by GPG, with the proceeds earmarked for debt reduction.

The result followed a A$151,000 tax credit, against A$86,000 previously. Interest provision eased from A$5.6m to A$4.8m. Dividend has again been omitted.

● Clutha, the New South Wales coal producer, turned a A$345,000 loss into a A$2.5m profit in the half-year to December.

Profits at Towngas surge by 20% to HK$778.7m

By Simon Holberton in Hong Kong

HONGKONG and China Gas, the monopoly supplier of piped gas to the colony, yesterday announced a 20 per cent rise in 1991 net earnings to HK$778.7m (US$110.5m), against HK$648.2m in 1990.

Turnover for the company, better know as Towngas, rose 19 per cent to HK$2.65bn from HK$2.22bn.

Towngas has been steadily building its customer base, especially in the New Territories, with about 70,000 added to the network last year, raising the total to 829,292.

The company also declared a one-for-five bonus share issue, and announced an allocation of warrants to shareholders on a one-for-10 basis.

The warrants give shareholders the right to convert into shares at a price of HK$13.30 between June this year and June 1994. This compares with a share price of HK$13.80 at yesterday's close.

Mr Lee Shau-kee, chairman, forecast continued progress during 1992, with sales climbing another 10 per cent and the addition of 70,000 customers to the Towngas network.

The directors, who expect a strong year ahead, recommended a final dividend of 21 cents a share which, with the interim dividend of 12 cents, makes a total for the year of 33 cents.

Espirito Santo group wins control of bank

By Patrick Blum in Lisbon

THE Espirito Santo family has regained control of Banco Espirito Santo e Comercial de Lisboa (BESCL), Portugal's third largest bank, following the completion of its privatisation this week.

The family owned a majority shareholding in the bank before its nationalisation in 1975. From exile in Brazil, it has steadily built up a new international financial group with holdings in Europe, the US and South America.

The group began its comeback in Portugal in the 1980s, bought back control of Tranquilidade, one of Portugal's leading insurance companies, when it was privatised in 1990, and last July secured 23 per cent stake in BESCL when 40 per cent of the bank was sold.

In this second stage of privatisation, 24m shares representing 60 per cent of the bank's share capital were sold raising Es89bn ($659m) – 1.7m shares remained with an underwriting syndicate. The Espirito Santo group (GES) increased its holding to 43 per cent in association with Crédit Agricole of France which holds 9.5 per cent.

In an earlier interview with the Financial Times, Mr Ricardo Espirito Santo Salgado, group chairman, said a 40 per cent stake would be sufficient to control the bank in view of the capital's dispersal among a large number of small investors.

He said BESCL, a commercial bank with a domestic market share of around 9 per cent, would be the centre of the group but remain a retail bank, with other group companies specialising in investment banking and other activities both in Portugal and abroad.

BESCL is expected to show a 20 per cent rise in assets to Es1,449bn last year from Es1,197bn in 1990 and net profits up to Es15bn from Es12.5bn. It recently bought Banco Industrial del Mediterraneo of Spain.

Buoyant BPI reports strong growth for year

By Patrick Blum

BANCO Portugues de Investimento (BPI), Portugal's leading private investment bank, yesterday reported strong growth for 1991.

The bank's consolidated group results, which include for the first time those of Banco Fonsecas & Burnay (BFB), the former state-owned commercial bank it bought last summer, show a 470 per cent rise in assets from Es171bn ($1.3bn) in 1990 to Es975.1bn last year. Without BFB, group assets rose 78 per cent to Es305bn.

Net profits rose 8 per cent from Es8.6bn in 1990 to Es9.3bn last year, but results for 1990 were boosted by extraordinary income of Es3.8bn from BPI's sale of an 11 per cent stake in Banco de Comercio e Industria.

BPI paid Es36bn for 80 per cent of BFB, though Es28bn remained within BFB to strengthen its capital and build up its reserves and pension fund. It will underwrite the sale this year of the state's remaining 20 per cent stake in BFB. It recently sold 10 per cent of BFB to Banco Itau of Brazil.

Helaba registers sharp increase in earnings

By David Waller in Frankfurt

HESSISCHE Landesbank Girozentrale (Helaba), the large German financial institution based in the state of Hesse, yesterday reported sharply increased earnings for 1991.

Reflecting generally buoyant conditions for Germany's banking sector last year, the bank increased its partial operating profits by 58 per cent to DM256m ($160m).

The bank said the main reason for the increase was a surge in interest income, which climbed by DM86.9m to DM613.5m, combined with an increase in margins to 0.82 per cent. Including a modest 4 per cent increase in own-account trading profits, the bank's total operating profits rose by 43.6 per cent to DM316.4m.

The bank said the good result would allow it to pay an unchanged dividend for 1991, to make generous increases to hidden and open reserves of the bank, and to bolster risk provisions, particularly in respect of loans to problem countries.

Treasuries move higher as rate cut speculation grows

By Patrick Harverson in New York and Richard Waters in London

US TREASURY prices posted modest gains across the maturity range yesterday morning, despite an increase in January durable goods orders that was slightly bigger than had been expected.

By midday, the benchmark 30-year government bond was up 5/32 at 100¾, yielding 7.927 per cent. The two-year note was also firmer, up 1/32 at 99 29/32, yielding 5.409 per cent.

The news that durable goods orders rose 1.5 per cent last month would normally have unsettled the market, given that analysts had forecast a rise of only 1 per cent.

The impact of Tuesday's big drop in consumer confidence, however, was still being felt yesterday and speculation continued to intensify about the possibility of an interest rate cut by the Federal Reserve.

The market was also aided by comments from Mr Dan Rostenkowski, chairman of the House ways and means committee and the Democrat's top tax legislator, who said he doubted his party's tax bill could be passed by Congress. The comments eased bond investors' fears that an economically stimulative fiscal package would depress Treasury prices.

■ EUROPEAN government bond markets continued to advance almost in unison yesterday as investors digested Tuesday's news from the US of weak consumer confidence.

In the German market, bund futures broke through the 88.00 ceiling against which they had pushed without success the day before, triggering a round of technical buying. There were also reports of buying from domestic retail investors, continuing a trend of position-building which has been notable for much of the past fortnight.

The continued buying was notable in medium-term maturities, where much of the recent interest has been.

The result, in a busy day on the futures markets, was a move out of the recent trading range, with the Liffe contract trading up at around 86.29 at the close.

■ UK government bonds also rose on the general swell of positive sentiment, though the market continued to look in vain for any hints of an early cut in interest rates.

The March gilt futures contract advanced close to a level at which it could have triggered a release of the Bank of England's tap stock.

However, it later fell slightly to around 98.06.

The tap level has not been touched for two weeks, and with an estimated £500m still on the Bank's books, the stock is still seen as placing a ceiling on the upward movement of the market.

The benchmark gilt maturing 2003/07 closed at around 116¾, for a yield of 9.27 per cent, while the 9 per cent gilt maturing 2011 closed up 1/16 of a point to 99 23/32, a yield of 9.06 per cent.

GOVERNMENT BONDS

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		10.000	10/02	100.1710	+0.259	9.97	10.08	10.07
BELGIUM		9.000	08/01	102.2000	+0.300	8.64	8.77	8.66
CANADA *		8.500	04/02	100.5500	+0.200	8.42	8.51	8.50
DENMARK		9.000	11/00	102.6500	+0.130	8.55	8.62	8.53
FRANCE	BTAN	8.500	03/97	99.3094	+0.237	8.66	8.77	8.63
	OAT	8.500	11/02	100.7000	+0.520	8.38	8.47	8.40
GERMANY		8.000	01/02	101.0200	+0.330	7.85	7.93	7.88
ITALY		12.000	02/02	99.1700	+0.220	12.141	12.31	12.27
JAPAN	No 119	4.800	06/99	95.3033	+0.173	5.71	5.76	5.53
	No 129	6.400	03/00	105.7671	-0.061	5.38	5.41	5.23
NETHERLANDS		8.250	02/02	100.2000	+0.280	8.22	8.32	8.36
SPAIN		11.300	01/02	103.1500	-0.120	10.75	10.78	10.91
UK GILTS		10.000	11/96	102-09	+5/32	9.38	9.43	9.57
		9.750	08/02	103-08	+10/32	9.26	9.32	9.46
		9.000	10/08	99-11	+9/32	9.08	9.13	9.24
US TREASURY *		7.500	11/01	100-26	+3/32	7.42	7.41	7.24
		8.000	11/21	100-24	+4/32	7.93	7.93	7.72

London closing, *denotes New York morning session. Yields: Local market standard. † Gross (including witholding tax at 12.5 per cent payable by non-residents). Prices: US, UK in 32nds, others in decimal. Technical Data/ATLAS Price Sources

Restructuring at BCI

By Robert Graham in Rome

BANCA Commerciale Italiana (BCI), the state-owned bank, has been restructured, grouping its activities into three separate holdings to cover domestic banking operations, foreign banking, and para-banking activities such as leasing, factoring and investment.

The move is primarily for fiscal reasons to comply with new regulations in the 1992 budget law approved on December 30 and means the elimination of BCI's property division.

The budget law obliged the bank to revalue its property assets and this week the board approved an increase in the latter's book value of L1,390bn ($1.13bn), bringing the total to L5,330bn.

If the property division had been retained separately the increased book value of the four holdings would reportedly have been L7,343bn.

The new holdings will be called Comit Holding Italia, Comit Holding International and Comit Holding respectively.

The board has also announced preliminary results for 1991 with gross operating earnings of L1,139bn against L1,111bn in 1990 a modest 2.5 per cent increase.

Appointment at Bear Stearns subsidiary

BEAR Stearns' brokerage subsidiary yesterday named Mr Denis Bovin a senior managing director and vice-chairman of the group's investment banking operation, Reuter reports from New York.

It said Mr Bovin would join the investment banking policy group which manages and directs the company's corporate finance and mergers and acquisitions worldwide.

Mr Bovin had been a senior managing director of Salomon Brothers subsidiary Salomon Inc with responsibility for investment banking clients.

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 6.10 pm on February 26

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABN 9 1/8 94	200	105⅛	106⅛	+⅛	6.63
ALBERTA PROVINCE 9 3/8 95	600	107⅝	108	-⅛	6.93
AUSTRIA 8 1/2 00	400	105	105⅛		7.63
BANK OF TOKYO 8 3/8 96	100	103⅞	104⅛	+⅛	7.31
BELGIUM 9 5/8 98	250	109⅝	110	-⅛	7.64
BFCE 7 3/4 97	150	102	102½	+⅛	7.26
BNP 8 5/8 94	300	105½	106	-⅛	6.10
BRITISH GAS 8 3/8 99	350	103½	103⅞	-⅛	7.73
CANADA 9 96	1000	107½	107⅞		6.80
CARCO 9 1/4 96	650	102	102⅜	-⅛	8.67
CCCE 9 1/4 95	300	107½	107⅞	-⅛	6.43
COUNCIL EUROPE 8 96	100	103⅛	103⅝		7.10
CREDIT FONCIER 9 1/2 99	300	110	110⅛	-⅛	7.60
DENMARK 8 1/4 94	150	104⅝	105		6.15
DENMARK 9 1/4 95	1571	107⅛	107⅝	-⅛	6.56
ECSC 8 1/4 96	193	104⅛	104⅝	-⅛	7.18
EEC 8 1/4 96	100	104⅛	104⅝		7.09
EIB 7 3/4 96	250	102⅞	103⅛	+⅛	6.98
EIB 9 1/4 97	1000	108⅝	108⅞	-⅛	7.39
ELEC DE FRANCE 9 98	200	106⅞	107¼		7.54
EURO CRED CARD TST 9 94	325	103½	104⅛	-⅛	7.46
EUROFIMA 9 1/4 96	100	106⅞	107⅜	-⅛	7.23
EXPORT DEV CORP 9 1/2 98	150	109⅛	109⅝	-⅛	7.60
FINLAND 7 7/8 97	200	101½	102⅛	-⅛	7.50
FINNISH EXPORT 9 3/8 95	200	107⅛	107½	-⅛	7.08
FORD CAPITAL 9 3/4 97	250	105⅞	106⅛	+⅛	8.31
GEN ELEC CAPITAL 9 3/8 96	300	107⅝	108⅛		7.22
GMAC 9 1/8 96	200	104⅜	104⅞	+⅛	7.82
GUINNESS FINANCE 8 94	200	103⅛	103⅝		6.40
IBM INTL FIN 7 3/4 94	200	103⅝	104	+⅛	5.89
IND BK JAPAN FIN 7 7/8 97	200	101⅞	102⅛	-⅛	7.44
INTER AMER DEV 7 5/8 96	200	102	102½		7.08
ITALY 8 1/2 94	1500	105½	106⅛		6.03
JAPAN DEV BK 8 94	150	104	104⅜		6.01
KANSAI ELEC PWR 10 96	350	109⅝	109⅞	-⅛	7.26
LTCB FIN 8 97	200	101	101⅜		7.74
NEW ZEALAND 9 94	850	105⅝	106	-⅛	6.47
NIPPON CRED BK 10 3/8 95	150	108⅞	109⅝		7.32
NIPPON TEL & TEL 9 3/8 95	200	107⅛	107⅝	-⅛	6.60
ONTARIO 8 1/2 01	600	101⅞	102⅛		8.20
ONTARIO HYDRO 11 5/8 94	200	109⅞	110⅛	+⅛	6.16
OSTER KONTROLLBANK 8 1/2 01	200	104⅛	104⅝		7.82
PETRO-CANADA 7 1/4 96	200	100⅝	101⅛	+⅛	7.06
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OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
BAYERISCHE VEREINS INT 7 94 LFr	600	94	95		9.89
COPENHAGEN TEL 8 5/8 96 LFr	600	98⅛	99⅛		9.21
WORLD BANK 8 96 LFr	1000	96½	97½		9.03
ENERGIE BEHEER 8 3/4 98 Fl	500	102⅛	102⅝		8.29
UNILEVER 9 00 Fl	500	105⅛	105⅜		8.10
ALBERTA PROVINCE 10 5/8 96 C$	500	105⅛	105⅜	+⅛	8.95
BELL CANADA 10 5/8 99 C$	150	106⅛	106⅝	+⅛	9.39
BRITISH COLUMBIA 10 96 C$	500	103½	103⅞	+⅛	8.95
EIB 10 1/8 98 C$	130	106	106½	+1⅛	8.80
ELEC DE FRANCE 9 3/4 99 C$	275	103⅛	103⅝	+⅛	9.12
FORD CREDIT CANADA 10 94 C$	100	101⅛	101⅝	+⅛	9.41
GEN ELEC CAPITAL 10 96 C$	300	103⅛	103⅝	+⅛	8.99
KFW INT FIN 10 01 C$	400	104⅛	104⅝	+⅛	9.30
NIPPON TEL & TEL 10 1/4 94 C$	200	105⅛	105⅝	+⅛	9.27
ONTARIO HYDRO 10 7/8 99 C$	500	106⅞	107⅛	+⅛	9.51
OSTER KONTROLLBANK 10 1/4 99 C$	150	105⅝	106⅛	+⅛	9.15
QUEBEC PROV 10 1/2 98 C$	200	104⅞	105⅛	+⅛	9.47
BELGIUM 9 1/8 96 Ecu	1250	101⅞	102	+⅛	8.55
CREDIT LYONNAIS 9 96 Ecu	125	99⅛	100⅛		9.24
DENMARK 7 5/8 96 Ecu	250	94⅞	95⅛	+⅛	9.34
EEC 7 5/8 94 Ecu	200	97⅛	97⅝		9.19
EIB 10 97 Ecu	1125	106⅛	106⅝	+⅛	8.44
FERRO DEL STAT 10 1/8 98 Ecu	500	106⅛	106½	+⅛	8.71
ITALY 10 3/4 00 Ecu	1000	112	112⅛	+⅛	8.63
UNITED KINGDOM 9 1/8 01 Ecu	2750	104⅛	104½	+⅛	8.41
BP AMERICA 12 1/4 96 A$	100	106⅝	107⅛	+⅛	10.16
COMM BK AUSTRALIA 13 3/4 99 A$	100	114⅛	114⅝	-⅛	10.86
EKSPORTFINANS 12 3/8 95 A$	75	108⅛	108⅞		9.29
EUROFIMA 14 5/8 94 A$	75	110⅞	111⅛	-⅛	8.98
MCDONALDS CANADA 15 95 A$	100	113⅛	113⅝		10.11
NAT AUSTRALIA BANK 14 3/4 94 A$	150	109⅝	110		9.31
STATE BK NSW 14 1/4 99 A$	100	115⅞	116⅛		11.04
UNILEVER AUSTRALIA 12 98 A$	150	107⅛	107½	-⅛	10.36
VOLKSWAGEN INTL 15 94 A$	100	110⅛	110⅝		9.41
ABBEY NATL TREAS 13 3/8 95 £	100	108⅛	108½	+⅛	10.10
ALLIANCE & LEICS 11 3/8 97 £	100	103⅛	103⅝		10.54
BRITISH GAS 12 3/4 95 £	300	107	107⅜		9.90
BRITISH LAND 12 1/2 16 £	150	107⅝	108⅛	+⅛	11.89
DEUTSCHE BK FIN 11 94 £	225	102	102⅜		9.77
EIB 10 97 £	536.5	101⅞	102⅛	+⅛	9.53
FINLAND 10 1/8 97 £	100	101½	102	+⅛	9.73
ITALY 10 1/2 14 £	400	104⅞	105	+⅛	9.95
[illegible]					

DEUTSCHE MARK STRAIGHTS [illegible]

SWISS FRANC STRAIGHTS [illegible]

YEN STRAIGHTS [illegible]

FLOATING RATE NOTES [illegible]

CONVERTIBLE BONDS [illegible]

[illegible]

Bell Canada in C$125m five-year Eurobond issue

By Simon London and Tracy Corrigan

NEW issue activity was muted in the international bond market yesterday, with issuers finding only small pockets of demand for new paper.

Canadian dollar bonds reacted positively to a government budget statement overnight on Tuesday, with benchmark government bonds gaining around ¼ of a point in early trading yesterday.

INTERNATIONAL BONDS

Bell Canada, the telephone company, took the opportunity to launch a C$125m five-year Eurobond issue, lead-manged by UBS Phillips & Drew. The 8⅞ per cent bonds were re-offered to investors at a fixed *price of 100.375, where the yield* spread over Canadian government bonds was 62 basis points.

Participants in the deal expected strong demand from continental European retail investors, attracted by high coupon and status of the issuer.

In contrast, the Australian dollar sector gave a less welcoming reception to a budget statement by Mr Paul Keating, the Australian prime minister, which was seen as leaving little room for a further cut in Australian interest rates.

Benchmark government bonds at the three-year maturity fell by nearly ½ a point immediately after the statement, before recovering some of the lost ground.

Syndicate managers said *that the negative tone could* reduce the number of investors willing to re-invest the proceeds of maturing Australian dollar bonds back into new issues.

KFW, the German government-backed finance agency, added Ecu150m to its outstanding 8¼ per cent Ecu250m five-year issue launched at the end of January. Deutsche Bank Capital Markets and Goldman Sachs International placed the bonds with a small group of investors at an undisclosed price.

This cautious approach underlined the poor tone of the market, with even top-rated borrowers unwilling to risk substantial new issues.

In the D-Mark sector, Toyota Motor Credit Corporation (TMCC) launched a DM200m three-year deal via Deutsche Bank, *aimed at German investors.*

However, new issue supply is expected to pause over the next week with German public holidays disrupting market activity.

TMCC swapped the proceeds of the issue into floating-rate dollars. However, swap spreads have tightened recently, making the D-Mark sector less attractive to non-German companies.

In the Swiss market, Tjiwi Kimia, Indonesia's largest pulp and paper company and part of the Sinar Mas group, launched a SFr50m convertible bond offering, the second such offering for an Indonesian borrower in the Swiss market.

Although the Indonesian stock market is now open to foreign investors, many Swiss investors prefer the convertible structure, according to lead manager Crédit Suisse.

● *National Bank of Hungary* yesterday unveiled plans to raise DM600m on the German bond market, writes David Waller in Frankfurt.

The seven-year bond issue will have a coupon of 10.25 per cent and will be priced on March 11 by Deutsche Bank, which has been awarded the mandate to lead manage the issue.

The issue is considerably larger than the National Bank's two most recent bond issues. Last year, it launched a $100m issue and a Ecu200m issue in the international bond market.

Speaking in Frankfurt, Mr Frigyes Harshegyi, vice-president of the Hungarian bank, said it was considering making further issues this year, probably on the US dollar and Ecu *Euromarkets, although an* issue in Swiss francs was also a possibility.

MR *Micheal von Brentano* has stepped down as chairman of the International Primary Markets Association (IPMA), which represents top new issue underwriting firms in the international and domestic bond markets, writes Simon London.

He is to take up an appointment as a partner of Merck Finck & Co, the private banking firm owned by Barclays de Zoete Wedd.

Mr Brentano was head of Deutsche Bank Capital Markets in London from its formation in 1985 until his retirement last year to work full-time for IPMA.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Ebara Corp.(a)Φ	150	3	100	1996	2¼/1½	Yamaichi Int.(Europe)
Alto Parana(d)†	40	12	97.579	1995	1⅞/1¼	Yamaichi Int.(Europe)
ECUs						
KFW Int. Finance(b)†	150	8½	(b)	1997	(b)	Deutsche Bk Cap Markts
CANADIAN DOLLARS						
Bell Canada(a)†	125	8⅞	101.95	1997	1⅞/1.575	UBS
D-MARKS						
Toyota Motor Credit(a)†	200	8⅜	101.95	1995	1½/½	Deutsche Bk
SWISS FRANCS						
Tjiwi Kimia(c)★★§	50	5	100	1997	-	Credit Suisse

★★Private placement. §Convertible. ΦWith equity warrants. ‡Floating rate note. †Final terms a) Non-callable. b) Fungible with existing Ecu250m bond launched on 29.01.92. Issue price and fees undisclosed. c) Put option 31.12.94 at 110⅜% to yield 8½%. d) Coupon payable semi-annually. Non-callable.

Price war rages over softing commissions

Richard Waters on a practice which is no longer restricted to a few specialist houses

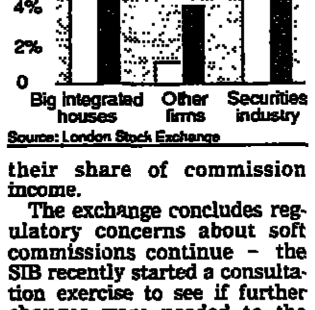
THE UK's large integrated securities houses *last year received* 13 per cent of their commission income through "soft commission" arrangements, a rise from 8 per cent during 1990 and confirmation that this form of investment business is no longer largely restricted to a few specialist houses in London.

The figures, revealed in a London Stock Exchange report on the soft commission business, show it is no longer an under-used area of the market. Research last year by Greenwich Associates, the US research company, revealed more than 80 per cent of investment and unit trusts had soft commission arrangements, while the proportion of investment advisers had risen to around two-thirds. Less than half of insurance companies have similar arrangements.

Soft commission agreements involve a fund manager agreeing to give a fixed proportion of business to a broker in return for services, such as the *provision of data base services* or specialist research provided by an independent research house. The rapid growth of the practice in the UK in the past two years, since it was judged an acceptable practice by the Securities and Investments Board, the chief UK investment regulator, has prompted a price war, as well as fears that the arrangements work against the interests of fund managers' clients.

In its latest quarterly review of the UK market, the London Stock Exchange reports the practice of "softing" is likely to become more prevalent. Traditional brokers, which have not actively sought soft commission business before, have already seen their reliance on this type of income jump from 1 per cent to 4 per cent in the past year. The proportion is *expected to rise further as a* result of cost pressures and the desire of brokers to maintain their share of commission income.

Growth in soft commissions



Source: London Stock Exchange

The exchange concludes regulatory concerns about soft commissions continue – the SIB recently started a consultation exercise to see if further changes were needed to the *regulatory arrangements.*

Soft commission deals give rise to four concerns:

● They provide a way for brokers to pay fund managers *inducements to place business* with them. This concern has largely been resolved, the exchange says. Rules in force in the UK limit the services that can be provided to those which "assist in the provision of investment services". The services most commonly covered by such agreements include performance measurement, on-line stock quotation services and corporate databases, according to Greenwich.

● They could lead to excessive charging by fund managers. This is because fund managers charge a fee for their services and also pass on brokerage commission charges to their customers. If the commissions cover some of the managers' costs, which are normally reflected in the fee, then the customer could end up effectively paying twice for the *same service.*

● Fund managers could be tempted to "churn" a portfolio.

These two concerns could be resolved if trustees which *employ fund managers are* aware of the dangers, and information is provided about what is actually taking place. The exchange warns that even the well-informed trustee finds it difficult to tell the difference between "good business practice and outright exploitation by the fund manager."

● Fund managers may not always be achieving best execution for their clients. This is a concern particular to the UK, whose integrated houses are in theory able to subsidise low commission rates with the spread they make by acting as market-makers.

Here, again, regulatory responses are difficult the exchange says. Moves suggested so far "are incompatible with market practices and thus unenforceable," it warns.

■ *Stock Exchange Quarterly: Winter 1991, London Stock Exchange, London, EC2N 1HP. £16.*

CP programme goes from strength to strength

David Waller reports on the first anniversary of a rapidly-expanding German market

LAST week, an important anniversary was celebrated in the German financial markets – it was a year since Daimler Benz launched Germany's first commercial paper (CP) programme.

Since that first DM1.5bn ($937m) programme in mid-February, the market has grown in leaps and bounds. The total value of programmes amounts to DM25bn and the Deutsche Bank, arranger and chief dealer to the overwhelming majority of issues so far, is predicting the figure will rise to DM40bn by the end of the current year. Of this, half will be issued and outstanding in the market place, the bank said.

The market came into existence because of the abolition of stock turnover tax early last year and the waiving of the requirement that German companies should seek Ministry of Finance permission for domestic debt issues. Before then, costs and complications meant *the only way for German companies to issue D-Mark denominated paper in short maturities* was via the Euromarkets.

Treasurers have seized the opportunity to raise funds on more favourable terms than conventional bank borrowings. There have been a total of 34 issuers so far, 14 of them tapping the market since October.

The majority of the issuers are large German corporates – Volkswagen, Bayerische Motoren Werke, Hoesch and Hoechst are among those represented.

The biggest issuer by far is the Treuhand, the German government's privatisation agency for the east of the country, which last week announced plans to double the size of its existing programme to DM10bn, saying that CP was a particularly flexible and cost-effective form of borrowing with interest rates at an average of 20 basis points lower than equivalent money market loans.

With so many issuers issuing so much paper in so short a time, it is not surprising there is jubilation in the corporate finance department of Deutsche Bank, which has been involved as arranger or dealer in all but seven of the issues – and in the German financial community as a whole, which sees the rapid development of the market as an important boost for the country's status as a financial centre.

The German market has quickly grown to be larger than its UK counterpart – where outstandings total £5bn ($8.5bn) according to IBCA, the London-based rating agency – but it is still only a fraction of the size of the US market, where outstandings are US$560bn compared with the DM20bn forecast by Deutsche Bank for Germany by the end of the year.

As a recent commentary from Standard & Poors, the US rating agency puts it: "Despite the positive signs . . . to become an effective source of short-term funding the market must continue to expand. To establish a sufficient critical mass for depth, liquidity and efficiency, the numbers of issuers should ultimately grow by several times its current base – drawing on a diversified group of issuers as the market builds up outstandings."

Observers say that for the market to develop in this way, two conditions must be fulfilled. Firstly, international investors should play a much bigger role – at present they own only 20 per cent of all outstandings whilst the other 80 per cent is in the hands of domestic German investors. Second, medium-sized and smaller companies should be encouraged to become issuers, thus broadening investors' options – at present the bulk of issuers are very large German companies.

It is not just the rating agencies such as S&P's and Moody's – both of which set up German operations last year – which say the key to both these developments is the wider use of ratings. In an interview with the Financial Times last week, Mr Frank Heintzeler, Deutsche Bank's head of corporate finance, said his advice to all clients seeking a listing was to get a rating.

"*In the long run, it will help* them with their cost of funds," he said. It would also allow investors, especially overseas investors, to come to a better assessment of the risks attached to each individual issue, he said. So far, Volkswagen is the only German company to have published a rating for its domestic CP programme. The only other three issuers to have had their paper rated were the German subsidiaries of large international companies – Alcatel, Procter & Gamble and Fiat.

Otherwise, in a reverse of the practice on the US and other markets, no issuers have had themselves rated at all. German issuers have been able to get away without a formal third-party assessment of their creditworthiness because of their good name with domestic investors – and also the good name of the sponsoring bank.

Mr Heintzeler, of Deutsche Bank, said: "Up until now they all achieved good terms, but there is already a definite trend towards differentiation on the part of investors, and with higher volumes there will be more discrepancies between the terms individual issuers can obtain.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

	EQUITY GROUPS & SUB-SECTIONS Figures in parentheses show number of stocks per section	Wednesday February 26 1992 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1992 to date	Tue Feb 25 Index No.	Mon Feb 24 Index No	Fri Feb 21 Index No.	Year ago (approx) Index No
1	CAPITAL GOODS (178)	798.85	+0.5	8.23	5.97	15.53	1.41	795.14	798.29	791.64	823.83
2	Building Materials (23)	985.75	+0.5	7.06	6.31	19.10	0.44	981.29	981.19	972.08	1132.98
3	Contracting, Construction (28)	892.44	+0.6	8.92	8.18	16.16	1.32	887.23	886.07	882.30	1308.93
4	Electricals (7)	2446.03	+0.3	10.10	6.13	12.46	1.47	2438.73	2457.77	2457.26	2250.46
5	Electronics (26)	1846.22	+1.4	9.92	4.64	12.78	1.86	1820.80	1824.07	1800.39	1752.71
6	Engineering-Aerospace (8)	328.02	+0.1	12.47	7.92	9.74	5.78	327.57	328.50	329.24	431.74
7	Engineering-General (43)	490.69	....	9.45	4.81	13.07	1.21	490.82	493.62	489.27	415.98
8	Metals and Metal Forming (10)	328.00	+0.5	2.11	10.54	-	0.00	326.39	328.82	327.58	449.13
9	Motors (14)	314.91	-0.5	8.07	7.51	16.47	0.00	316.45	319.52	314.23	324.08
10	Other Industrial Materials (19)	1609.99	+0.5	7.45	5.11	15.92	0.69	1602.57	1612.41	1599.59	1446.82
21	CONSUMER GROUP (188)	1678.70	+0.6	7.15	3.32	17.12	4.74	1668.96	1680.69	1672.42	1335.49
22	Brewers and Distillers (23)	2117.29	... .	7.59	3.35	15.89	7.92	2117.13	2124.70	2095.84	1684.55
25	Food Manufacturing (18)	1267.60	+0.1	8.52	4.04	14.48	2.11	1265.80	1280.89	1273.64	1129.18
26	Food Retailing (17)	2670.63	+2.0	8.26	3.10	15.72	4.06	2617.42	2619.43	2566.54	2491.52
27	Health and Household (24)	4382.05	+0.4	6.21	2.37	18.26	15.12	4363.25	4420.14	4441.00	2816.05
29	Hotels and Leisure (23)	1304.06	+0.4	7.14	5.17	17.46	8.54	1299.25	1294.99	1290.38	1283.97
30	Media (24)	1550.44	+0.5	6.30	3.52	19.96	2.97	1542.18	1547.90	1543.17	1321.58
31	Packaging, Paper & Printing (17)	752.99	+0.1	7.03	4.41	17.25	0.22	751.95	751.91	748.86	601.39
34	Stores (32)	1066.52	+1.3	6.92	3.39	19.14	1.91	1053.28	1062.63	1059.15	870.11
35	Textiles (10)	638.54	+0.5	7.19	4.85	17.74	0.53	635.51	636.80	638.20	450.89
40	OTHER GROUPS (116)	1237.42	+0.7	9.75	5.36	12.94	6.41	1228.23	1231.60	1224.95	1132.13
41	Business Services (16)	1392.18	-0.1	7.22	4.71	17.62	0.27	1393.65	1403.88	1395.62	1070.71
42	Chemicals (21)	1519.07	+0.2	6.60	4.82	18.72	0.59	1515.35	1518.58	1501.23	1192.85
43	Conglomerates (11)	1337.92	+0.2	10.82	7.56	11.25	3.18	1334.84	1326.62	1323.58	1503.03
44	Transport (14)	2435.20	+0.8	5.21	4.65	25.34	2.46	2415.92	2413.34	2407.16	2120.74
45	Electricity (16)	1218.77	+1.7	14.88	6.10	8.74	17.21	1198.24	1203.95	1195.11	1126.68
46	Telephone Networks (4)	1412.39	+0.8	11.11	4.44	11.75	16.02	1400.53	1410.01	1406.90	1273.03
47	Water (10)	2462.79	+1.8	17.32	6.46	6.36	0.00	2419.41	2429.65	2402.39	2445.48
48	Miscellaneous (24)	1852.85	+0.5	5.53	5.27	24.69	1.18	1843.83	1847.99	1839.56	1771.29
49	INDUSTRIAL GROUP (482)	1316.65	+0.6	8.14	4.42	15.32	4.43	1308.62	1315.38	1307.92	1150.67
51	Oil & Gas (18)	2045.81	+1.5	9.34	6.89	14.13	36.07	2015.81	2021.08	2015.89	2308.88
59	500 SHARE INDEX (500)	1385.72	+0.7	8.26	4.67	15.18	6.70	1376.04	1382.79	1375.39	1248.13
61	FINANCIAL GROUP (87)	728.51	+0.1	-	6.40	-	2.61	727.86	727.99	720.97	787.77
62	Banks (9)	906.22	-0.2	4.09	5.92	58.17	6.20	907.83	903.95	887.02	850.13
65	Insurance (Life) (6)	1454.16	+1.7	-	5.87	-	0.00	1429.81	1432.78	1415.77	1452.89
66	Insurance (Composite) (7)	491.05	+1.3	-	8.91	-	0.00	484.91	483.01	480.47	685.43
67	Insurance (Brokers) (10)	970.95	+0.6	7.97	6.88	16.52	2.37	965.23	961.02	976.08	1057.14
68	Merchant Banks (7)	464.14	-3.2	-	4.62	-	0.00	479.68	478.83	479.19	407.83
69	Property (33)	733.19	-0.7	7.84	6.19	17.45	0.93	738.41	753.35	754.22	1014.96
70	Other Financial (14)	246.47	+0.1	8.07	7.08	16.37	0.89	246.11	245.91	247.23	272.63
71	Investment Trusts (68)	1183.93	+0.5	-	3.72	-	4.11	1177.88	1177.73	1175.00	1117.14
99	ALL-SHARE INDEX (654)	1228.94	+0.6	-	4.85	-	5.72	1221.30	1226.45	1219.36	1134.70

	Index No	Day's Change	Day's High (a)	Day's Low (b)	Feb 25	Feb 24	Feb 21	Feb 20	Feb 19	Year ago
FT-SE 100 SHARE INDEX‡	2565.0	+18.2	2571.1	2548.2	2546.8	2559.7	2542.3	2543.4	2536.7	2348.0

FIXED INTEREST

	PRICE INDICES	Wed Feb 26	Day's change %	Tue Feb 25	Accrued interest	xd adj. 1992 to date
	British Government					
1	Up to 5 years (26)	122.64	+0.06	122.56	1.99	1.65
2	5-15 years (26)	137.27	+0.30	136.86	1.74	2.94
3	Over 15 years (9)	149.12	+0.36	148.59	2.68	0.88
4	Irredeemables (6)	164.72	+0.49	163.92	2.38	1.14
5	All stocks (67)	135.25	+0.23	134.95	1.97	2.31
	Index-Linked					
6	Up to 5 years (2)	169.71	+0.17	169.42	0.12	1.37
7	Over 5 years (9)	149.51	+0.32	149.03	0.61	0.90
8	All stocks (11)	151.15	+0.30	150.71	0.54	0.95
9	Debs & Loans (62)	118.30	+0.11	118.16	1.98	2.07

	AVERAGE GROSS REDEMPTION YIELDS		Wed Feb 26	Tue Feb 25	Year ago (approx.)
	British Government				
1	Low	5 years	8.56	8.56	9.28
2	Coupons	15 years	9.09	9.13	9.60
3	(0%-7¾%)	20 years	9.09	9.13	9.76
4	Medium	5 years	9.36	9.39	10.13
5	Coupons	15 years	9.15	9.20	9.98
6	(8%-10¾%)	20 years	9.12	9.16	9.91
7	High	5 years	9.59	9.62	10.28
8	Coupons	15 years	9.24	9.30	10.13
9	(11%-)	20 years	9.19	9.24	10.04
10	Irredeemables	†	9.29	9.34	9.92
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	3.61	3.65	3.79
12	Inflation rate 5%	Over 5 yrs.	4.28	4.30	4.17
13	Inflation rate 10%	Up to 5 yrs.	2.93	2.96	2.33
14	Inflation rate 10%	Over 5 yrs.	4.10	4.12	3.98
15	Debs &	5 years	10.80	10.85	11.99
16	Loans	15 years	10.60	10.62	11.66
17		25 years	10.45	10.46	11.42

‡Opening index 2548.3; 9 am 2553.8; 10 am 2555.5; 11 am 2558.5; Noon 2554.2; 1 pm 2555.3; 2 pm 2557.4; 2.30 pm 2560.4; 3 pm 2561.5; 3.30 pm 2560.6; 4 pm 2571.1; (a) 4.10pm (b) 8.31am † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL. The FT-ACTUARIES SHARE INDICES SERVICE covers a range of electronic and paper-based products relating to these indices. These are available by subscription from FINSTAT, 2nd Floor, 126 Jermyn Street, London SW1Y 4UJ. Tel: 071-925 2323

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	64	0	17
Other Fixed Interest	7	2	8
Commercial, Industrial	322	179	976
Financial & Property	131	93	568
Oil & Gas	19	26	47
Plantations	0	1	8
Mines	38	27	85
Others	33	44	55
Totals	614	372	1,764

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Am'nt Paid up	Latest Renunc. Date	1991/92 High	1991/92 Low	Stock	Closing Price p	+or -	Net Div	Times Cov'd	Gross Yield	P/E Ratio
‡	F.P	-	75	61	Capital Industries 1p	61		-	-	-	-
100	F.P	-	104	99	Exeter Prfd Capital	102½		F0.6	-	0.8	-
-	F.P.	-	39	23	Fleming Japanese Wrrnts	35½		-	-	-	-
-	F.P.	-	329	329	Genesis Chile Fd Wrrnts	329		-	-	-	-
£10⅝	F.P.	-	£12	£10⅝	Latin Am Inc & Appr. 1c	£12		-	-	-	-
100	F.P.	-	99	98	Lloyds Smlr Co's Pckg Uts	98		-	-	4.9	-
38	F.P.	-	39	34	Do Dividend	37		-	-	-	-
62	F.P.	-	62	57	Do Capital	60		-	-	-	-
-	F.P.	-	11	¼	Multitrust Warrants	11		-	-	-	-
-	F.P.	-	104	102	Riv & Mrc Tst Inc12 1/2p	103		N9.2	-	11.9	-
-	F.P	-	122¼	117	Do. Stepd Prf 12 1/2p	122¼	+½	N5.6	-	6.1	-
-	F.P.	-	160	158	Usher-Walker (RFD)	160		5.5	1.3	4.6	21.9

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1991/92 High	1991/92 Low	Stock	Closing Price £	+ or -
100p	F.P.	-	101½p	101p	Bank of Ireland Units Non-Cum Prf A	101p	
10p	F.P	-	10p	8p	Bottle Mining 10pc (Net) Cv Prf 1994	10p	
100	F.P.	-	107½	98½	Cambourne Inds. 10½pc Rd. Deb 2001	105½	
34.71	F.P.	-	35¾	35½	Exeter Prfd. Capital Zero Deb 2002	35½	
100p	F.P.	-	106p	100p	Fidelity Euro. Values Equity Ln 2001	106p	
105	F.P.	-	110	98	Greencore 9.5% Cnv Un Ln Stk 1995	110	+5
310p	F.P.	-	457p	434p	Inchcape Non-Ind. Bearing Cv Un Ln	437p	+3
100p	F.P.	-	105½p	99½p	NatWest Bank 9pc Prf Series A	102p	
‡	F.P	-	75p	68p	Wembley 6p (Net) Cnv Cum Prf 1999	68p	

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1991/92 High	1991/92 Low	Stock	Closing Price p	+ or -
205	Nil	30/3	38pm	18½pm	BTP 10p	20pm	
105	Nil	3/4	12pm	1½pm	Bromsgrove Inds	1½pm	
39	Nil	20/3	1½pm	1pm	Drummond	1pm	
415	Nil	-	80pm	73pm	ECC	79pm	
115	Nil	12/3	16pm	12pm	Porvair 20p	16pm	
58	Nil	30/3	12½pm	9½pm	Senior Engineering 10p	11pm	+1½
350	Nil	5/3	54pm	47pm	Watmoughs	47pm	-1
30	Nil	11/3	4½pm	2½pm	Wembley 5p	4½pm	

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. q Earnings based on preliminary figures. u Forecast or estimated annualised dividend rate, cover based on previous year's earnings. z Ex-dividend. F Dividend and yield based on prospectus or other official estimates for 1992-93. H Dividend and yield based on prospectus or other official estimates for 1991. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1991-92. N Dividend and yield based on prospectus or other official estimates for 1992. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ‡ Offered to holders of ordinary shares as a "rights". † Introduction. § Placing price. †† Reintroduction. ÷ Unlisted securities market. ♦ Issued in connection with reorganisation, merger or takeover. pm Price at a premium

TRADITIONAL OPTIONS

● First Dealings Feb. 17
● Last Dealings Feb. 28
● Last Declarations May 28
● For settlement June 8

3-month call rate indications are shown on this page.

Calls in Albert Fisher, Berisford Intl., Granada, Hanson warrants, Next and Saatchi & Saatchi. Puts in Amber Day, Hanson warrants and George Wimpey.

LONDON TRADED OPTIONS

Option		Calls Apr	Calls Jul	Calls Oct	Puts Apr	Puts Jul	Puts Oct
Alld Lyons (*633)	600	50½	61½	79½	9	23	30½
	650	21	35½	53½	30½	47	53½
	700	7½	19	34½	68½	81½	85½
ASDA (*40)	40	-	5	7½	-	4	5½
	43	2¼	-	-	5	-	-
	50	-	2½	4	-	12½	13½
Brit. Airways (*276)	240	41½	45½	51½	2¼	7	10
	260	24½	30	38½	6	13½	17½
	280	11¼	19	28½	13½	23½	26½
SmKl Beecham A (*920)	900	45½	71½	95	22½	34½	46½
	950	22½	48½	69½	49½	60½	70½
	1000	9½	30½	50½	89½	94½	103
Boots (*467)	460	20½	31	43½	9½	18	22
	500	5	12½	24	35½	40	42
B.P (*264)	260	13½	19	23	6¼	12	16
	280	4½	10¼	14¼	18	23	27
British Steel (*76)	70	7¼	10¼	11½	1½	4¼	5¼
	80	2	4¾	5¼	7	9	11
Bass (*569)	550	33½	48½	64½	10	19½	24
	600	11	24	38½	36	45½	47½
C & Wire (*593)	550	54½	67½	82½	5	13½	20½
	600	23	37½	54½	21	34½	40
Courtaulds (*543)	500	50½	60½	75½	4½	14	19½
	550	18	31	46½	21	34½	39½
Com. Union (*467)	460	13	26	32½	20	24	32½
	500	2½	13	17½	50½	52½	59½
Fisons (*382)	360	30½	44	57½	11½	19	24½
	390	14½	29	42½	27½	34	39½
GKN (*339)	330	13½	22½	27	16½	21½	28
	360	4	12	16½	38	40	46½
Grand Met (*932)	900	57½	87½	105	14½	26½	34½
	950	29	58½	77½	36	47½	55½
I.C.I. (*1314)	1300	39	72½	93½	53¼	63½	83
	1350	18	50½	-	86½	95	-
Kingfisher (*546)	500	54½	62½	72½	4	11½	17½
	550	20	32½	42½	19½	30½	32½
Ladbroke (*232)	230	11	-	-	11½	-	-
	240	-	14½	20½	-	22½	26½
Land Secur (*439)	420	29½	34½	40½	3¼	13½	16½
	460	8½	12½	20½	22½	26½	40½
M & S (*316)	300	22½	28	36½	5¼	9½	12½
	330	6½	12½	21	19½	23½	28½
Sainsbury (*398)	360	42½	46½	57½	2½	6	8½
	390	18½	27	37½	8½	16	20
Shell Trans. (*448)	420	38½	52½	58½	3½	7	10½
	460	12½	26	33	19½	25	28
Storehouse (*107)	100	11½	14½	16½	2¼	5½	7½
	110	5½	9	11½	6½	10½	12½
Trafalgar (*137)	130	14½	17½	22½	5	11	13½
	140	10	13½	18½	9¼	15½	20
Utd Biscuits (*416)	390	32	38½	48½	6	10½	15½
	420	11½	22½	31	19	23	30½
Unilever (*938)	900	48½	69	92	13	24½	30
	950	20	41	64	38½	46½	51
Ultramar (*231)	220	15	-	-	-	-	-
	240	6	-	-	23½	-	-

Option		Calls May	Calls Aug	Calls Nov	Puts May	Puts Aug	Puts Nov
Brit Aero (*296)	280	34½	44½	47½	14½	22	26
	300	23	34	37½	27	27½	37½
BAA (*580)	550	50	58	73	11½	19½	24
	600	23	32	47½	33	42	48
BAT Inds (*662)	650	36	44½	55½	25½	37½	46½
	700	15	25½	34½	55½	67½	76½
BTR (*409)	390	38	37	42½	11	13½	18½
	420	11	19½	25½	26	30	32½
Brit. Telecom (*334)	330	19	26½	30	8½	14½	17½
	360	7¼	12	16½	27	31½	34½
Cadbury Sch (*474)	460	32	45	56½	18	24½	30½
	500	14½	27½	38	41½	46½	51½
Eastern Elec (*253)	250	17½	-	-	10½	-	-
	260	-	16½	20½	-	23½	24½
Guinness (*589)	550	47½	62½	75½	9	14½	20
	600	18½	34½	47½	31½	36½	42
GEC (*214)	200	20½	24	25	3	6½	8¼
	220	7½	11½	14	11	16	18
Hanson (*217)	200	23	26	28	2½	4½	6½
	220	9½	13¼	17	9¼	13	15
LASMO (*200)	200	13½	19½	25	17½	20½	23
	220	6½	9	16½	32	34	35½
Lucas Inds (*118)	110	13½	16½	19½	4½	6	9½
	120	7½	11	14½	8½	11½	14½
P & O (*390)	390	22	31	32	32	37	45½
	420	11½	19½	22	50½	56½	63½
Pilkington (*135)	130	13½	14	18½	6	12½	14½
	140	8	10½	14½	11½	17½	20
Prudential (*241)	240	10¼	17½	21½	12½	16½	18½
	260	4½	10	-	27½	28½	-
R.T.Z (*544)	500	45½	61½	70½	10	15½	20½
	550	19½	34½	44½	32½	36½	41½
Scot. & New (*451)	420	43½	52½	57½	6½	12½	15½
	460	19½	27	35½	20½	29½	32½
Tesco (*269)	260	16½	23	28	8	11½	14
	280	6	-	-	20	-	-
Thames Water (*380)	360	35½	39½	47½	9	16½	19
	390	18½	23½	32	22	31	32½
Vodafone (*364)	360	23½	34	42½	13	18½	22½
	390	10½	20	-	31	34½	-

Option		Calls Mar	Calls Jun	Calls Sep	Puts Mar	Puts Jun	Puts Sep
Abbey Nat. (*305)	300	7½	16½	20½	9½	13½	18
	330	½	6	-	36	37	-
Amstrad (*30)	30	2¼	4¼	9	½	2½	3½
	35	¼	3	4¾	5¼	7¼	9½
Barclays (*376)	360	17½	25½	30½	7	14½	23
	390	3¼	11½	17	29	34½	39½
Blue Circle (*268)	260	12½	20	28	5	15½	20
	280	4	12	16½	15	27½	31
British Gas (*259)	240	21	25	29	1	5¼	7¼
	260	5½	12¼	18	7	14	16
Dixons (*238)	220	19½	29½	33	2	7	10½
	240	7	18	21½	9	15½	19
Eurotunnel (*461)	460	18½	38	53	15½	35	41½
	500	3½	23½	38	46½	60	65
Glaxo (*807)	800	29½	71½	93	21	41½	56½
	850	10	46½	68½	50½	70½	84
Hillsdown (*154)	140	15	24½	25½	1¼	6½	8½
	160	3½	9½	11½	9	17	18
Lonrho (*123)	120	9½	17½	21	4½	10½	14½
	130	5½	12½	16½	10½	16	19
Midland Bk (*240)	240	9¼	22	29	10½	18	23
	260	3¼	13½	-	22	29½	-
National Power (*220)	215	8	18½	22½	3½	8½	12½
	235	1¼	9½	12½	17½	19½	22½
Reuters (*1154)	1150	30½	77	105	27½	63	75
	1200	15½	55½	84	58	93	103
R. Royce (*145)	140	6	10¼	13¼	5¼	9	11
	160	½	4¼	6¼	21½	22½	23½
Scottish Power (*102)	100	4½	10	10½	1¼	5	8
	110	½	5	6	8	9½	14
Sears (*105)	100	5	8	10	2¼	8	9½
	110	1½	4½	6¼	8½	12½	13½
Forte (*232)	220	13½	18½	23	2½	8	11
	240	2¼	8	13½	10	19½	21½
Thorn EMI (*811)	800	21½	50½	58½	10	22½	36½
	850	4	26½	32½	40½	48½	61½
TSB (*131)	130	4¼	10¼	12½	3¼	6½	9½
	140	½	5½	8	9½	12½	16
Vaal Reefs (*$57)	50	9	12½	13	¼	2¼	3½
	60	2½	5½	8	3½	6½	8
Wellcome (*1119)	1100	38½	90	125	27½	61½	75
	1150	18	68½	103	55	85	103

EURO FT-SE INDEX (*2571)

	2375	2425	2475	2525	2575	2625	2675	2725
CALLS								
Feb	195	145	95½	48	10	1	½	½
Mar	211	167	125	87	56½	35½	17½	9½
Apr	-	196	-	124	-	66½	-	29½
Jun	-	235	-	165	-	107	-	62
Sep	-	276	-	207	-	147	-	102
Dec	-	305	-	240	-	182	-	132
PUTS								
Feb	½	½	½	3	13½	54½	104	153
Mar	9	12	20	30½	49	74½	109	150
Apr	-	26½	-	51½	-	93	-	157
Jun	-	40	-	71	-	110	-	165
Sep	-	57½	-	89	-	117	-	164
Dec	-	66	-	92½	-	130	-	169

FT-SE EUROTRACK 100 INDEX (*1166)

	1025	1050	1075	1100	1125	1150	1175	1200
CALLS								
Mar	-	100	75	53	33	20½	6½	2
Jun	150	130	105	87½	-	-	-	-
PUTS								
Mar	-	4	5	6½	10	18½	31	56½
Jun	8½	10½	14	19½	-	-	-	-

FT-SE INDEX (*2571)

	2350	2400	2450	2500	2550	2600	2650	2700
CALLS								
Feb	223	173	123	72½	25½	3	½	½
Mar	237	192	149	108	73	44	24½	12
Apr	261	219	179	141	108	76½	54½	36
May	280	239	200	164	132	102	78½	58½
Jun	-	257	-	183	-	121	-	70½
Dec †	-	330	-	255	-	192	-	142
PUTS								
Feb	½	½	1	2½	6	31½	81½	131
Mar	8	11	17	25	39½	64½	97½	138
Apr	18½	25½	34½	47	63½	86	115	150
May	28	38	45½	57½	75½	98½	126	160
Jun	-	40½	-	67½	-	110	-	170
Dec †	-	70	-	105	-	145	-	190

February 26 Total Contracts 30,827
Calls 20,452 Puts 10,375
FT-SE Index Calls 4,107 Puts 3,121
Euro FT-SE Calls 716 Puts 370
Eurotrack 100 Index Calls 0 Puts 0
*Underlying security price. † Long dated expiry mnths
Premiums shown are based on middle prices

TRADITIONAL OPTION 3-month call rates

■ INDUSTRIALS	p	Charter Cons.	40	Ladbroke	17	Sears	7½	**■ OILS**	
Allied-Lyons	55	*Comm Union*	38	*Legal & Gen*	31	SmKl Bchm A	78	Aviva Pet	1¼
Amstrad	3	Courtaulds	39	Lex Service	18	TI	48	BP	22
Astec (BSR)	3	Eurotunnel	39	Lloyds Bank	31	TSB	10½	Burman Castrol	40
BAT Inds	50	FKI	5½	Lonhro	20	Tesco	17	Conroy Pet	7½
BOC	48	FNFC	12	Lucas Inds	9	Thorn EMI	65	Gaelic Res	½
BTR	32	Forte	19	Marks Spencer	22	T & N	11	Premier Cons	3
Barclays	31	GKN	25	Midland Bank	19	Unilever	70	Shell	37
Blue Circle	22	Gen Accident	38	NatWest Bank	24	Vickers	14	Tuskar Res	1
Boots	33	GEC	15	P & O Dfd	34	Wellcome	75	**■ MINES**	
Bowater	55	Glaxo	70	Racal Elect	4½	**■ PROPERTY**		RTZ	39
Brit Aerospace	27	Grand Met	78	RHM	18	Brit Land	21		
British Steel	6	GRE	11	Rank Org	45	Land Sec	38		
Brit Telecom	24	Hanson	16	Ratners	5	MEPC	31		
Cadburys	33	ICI	90	Reed Intl	40	Mountleigh	2½		

UK COMPANY NEWS

Kleinwort Benson returns to the black with £27.9m

By Robert Peston

KLEINWORT BENSON, the merchant bank, yesterday disclosed that in 1991 it had recovered to pre-tax profits of £27.9m from the 1990 deficit of £68m.

Mr David Peake, chairman, also said that talks were continuing on the formation of an alliance with Banque Nationale de Paris, the French bank.

However, these talks were unlikely to be completed until BNP had completed its discussions on forming a separate link with Dresdner Bank, the German bank.

Kleinwort's 1991 profits were less than it had been anticipating a year ago, because the recession in the UK forced it to make a £39m provision against possible losses on loans. The bulk of these losses were incurred on loans to small- and medium-sized companies.

During the year, the group reduced its portfolio of corporate loans to £661m (£880m).

"The level of provisioning should be lower in the current year," Mr Peake said.

He was pleased with the progress of Kleinwort's equities or stockbroking activities, which caused it considerable problems in the early years after they were acquired outright in 1986. Kleinwort made "steady profits" from market-making, or the wholesaling of shares, and it also increased its market share of business with investment institutions.

The merchant banking segment, which includes the corporate finance department and securities operations, made profits of £24.7m on loan capital, against losses of £35.1m.

There was a modest fall from £24.4m (£27.4m) in profits of the investment management division. Mr Peake blamed a small bad debt incurred in the private banking operations and a decline in unit trust sales.

The full-year dividend is maintained at 16p with an unchanged final of 10.7p. Earnings per share were 14.34p (losses 36.77p).

Separately, Kleinwort announced the retirement of Mr David Benson, a member of the bank's founding family, as vice-chairman – though he will remain a non-executive director – and the appointment to the new post of deputy chairman of Mr Simon Robertson, already a Kleinwort director. As a result, Mr David Clementi will become sole head of the corporate finance department, a role he had been sharing with Mr Robertson.

● COMMENT

Kleinwort's return on capital is still a long way short of satisfactory. Profits after tax equated to just 4.5 per cent of shareholders' funds – it would have done considerably better to have invested its capital in a building society account. It has been a difficult year for most lending banks and corporate financiers. However, it is making something of a habit of earning lowly returns – it has done so in four out of the last five years. Poor performance has forced it to pay part of the dividend out of reserves, having paid all of the dividend from reserves in 1990 and a large slice of it from reserves in 1988. On a more positive note, the equities division is at last performing reasonably following years of difficulties. The pruning of the loan book probably also means that loan losses will diminish. Pre-tax profits should recover to about £45m in the current year which would at least cover a maintained dividend, putting the shares, at 265p, on a yield of 8 per cent – which is about right. There may even be some upside, if BNP and Dresdner decide to bid for all or some of the shares.

Warburg shares fall 36p on warning

SG WARBURG, the UK investment bank, yesterday warned that profits in the current half year would fall below those of the preceding six months, due to the continued delay in any upturn in the UK economy, writes Richard Waters.

The bank said that profits in the half year to the end of March were expected to fall below the £89m of the previous six months, but be higher than the £66m of the second half last year.

As a result, profits for the full year are predicted to be between £155m and £178m, below some analysts' forecasts at the time the interim results were published last autumn.

Commenting on the statement, Mr Michael Gore, finance director, said of the earlier market forecasts: "At the time, most people hoped the recession would come to an end and business pick up quicker than it has." There had been no single problem holding back profits, more a general decline in business volumes, he said.

The announcement pushed Warburg's shares down from 574p to 538p.

The statement was made in connection with a proposed private placement of debt in the US.

The bank plans to raise about $75m (£43m) of long-term loan capital from institutions, principally insurance companies, in the coming weeks.

The ten-year debt will add to the £200m of long-term debt the bank already has, though at about 20 per cent its gearing remains low compared to its competitors.

See Lex

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Barclays ....fin	12	May 7	12	21.15	21.15
Chieftain § ....fin	3	Apr 16	2.7	4.9	4.6
Commercial Union ...fin	14.4	May 15	14	23.65	23
Dunedin Income ......fin	17	Apr 22	16	25.4	24
Kleinwort Benson.....fin	10.7	May 11	10.7	16	16
Multitrust ....int	1.5	Apr 13	-	-	2
Record Hldgs ....fin	2.45†	May 31	2.45	3.6†	3.6
Ryan Hotels ....fin	0.5	-	1.25	1†	1.75

Dividends shown pence per share net except where otherwise stated. †On capital increased by rights and/or acquisition issues. §USM stock.

£158m repaid to parent by O&Y Canary Wharf Hldgs

By Vanessa Houlder, Property Correspondent

O&Y CANARY Wharf Holdings, the developer of the £3bn office complex in London's Docklands, repaid £158m of its share capital to its Canadian parent in November 1990, according to newly published accounts.

The repayment was the main cause of the net assets fall to £571.7m (£751m) in the year to October 1991.

O&Y did not comment on the repayment, other than saying that money was transferred back and forth to the parent company as required.

A City banker said that it was O&Y's practice to fund the early phases of a development from its own resources before raising long-term debt and repaying some of the parent company's equity. There are also tax advantages in transferring equity rather than debt between a parent company and a subsidiary.

O&Y Canary Wharf Holdings made a £21.1m loss in the year. O&Y said that the loss for the year was "wholly attributable" to its accounting policy of charging interest to the profit and loss account, rather than capitalising it.

Interest costs of £123.7m and administrative costs of £16.6m were offset by interest receivable of £67.1m and gross profits of £52.1m. The profits were due to £1.6m of rental income and a £54.5m sale and leaseback deal with Credit Suisse First Boston.

O&Y Canary Wharf Holdings' gearing stood at 132 per cent at the year-end. During the year, O&Y refinanced nearly £1bn of short-term debt. It arranged £501m of bank loans which are repayable within two to five years and £90m of loans repayable after five years. Some £100m of loans are unsecured but all the loans are guaranteed by the ultimate parent company. Its cash balance was reduced from £921m to £54.1m during the year.

The position of O&Y's parent company remains unclear, as its finances are kept entirely private. However, it has been affected by the downturn in North American property markets and the difficulty of obtaining bank financing for projects, as well as the demands of Canary Wharf.

Barclays cedes top-spot in profits league

Robert Peston examines the reasons behind the bank's downturn

BARCLAYS remains the UK's biggest bank, measured in terms of both the market value of its shares and the value of its assets.

But yesterday it ceded the title of the UK's most profitable bank to Lloyds.

In 1991, Barclays made pre-tax profits of £533m – 30 per cent down on the previous year – compared with the £645m disclosed earlier this week by Lloyds.

Part of the reason for Lloyds surpassing Barclays was that Barclays' control of costs in 1991 was less rigorous than its peers. Both Lloyds and National Westminster reduced the ratio of their costs to income during the year.

But for the second year in succession, Barclays' cost-income ratio rose. In 1989, the ratio was 64 per cent. It rose to 65.7 per cent the following year and was 67.8 per cent last year.

A direct comparison with Lloyds' ratio, of 61.8 per cent, is not altogether fair on Barclays', because the two banks consist of very different businesses. But Sir John Quinton, Barclays' chairman, said that the trend at his bank was "disappointing".

Part of the reason for the rise at Barclays was that two overseas banks which have been recently acquired – Merck Finck in Germany and Europeene de banque of France – were included in the figures for a full year for the first time. Both of these banks have significant running costs, but their income levels are not yet substantial enough – though Sir John stressed that they were both profitable and that he was optimistic about their prospects.

However, he conceded that even without a range of "special factors", the cost income ratio would still have risen. Part of the reason was that Barclays made a far higher pay award to staff last year than Lloyds did. Mr Peter Wood, finance director, said that the result of this was that costs of running the UK network of branches rose 11 per cent in the year.

Sir John Quinton: a disappointing trend

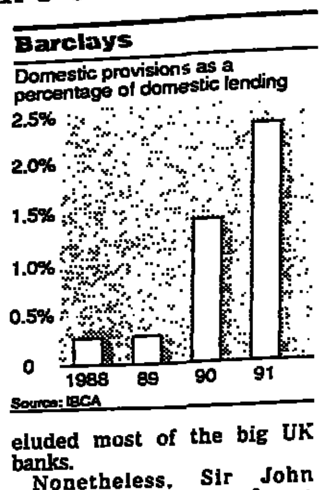
Sir John said that the staff salary increase in the current year was only 3 per cent, less than Lloyds. He was therefore hopeful that the cost income ratio would improve.

Having been the most expansionist of the UK's biggest banks in the past few years, Barclays is now putting a renewed emphasis on cost-control and profitability.

Mr Andrew Buxton, managing director, stressed that businesses incapable of making a satisfactory return would be closed or sold. He said that about £100m of capital would be released as the bank reorganised its finance company division, called the Mercantile group of companies. He said Mercantile would withdraw from providing loans which are marketed by other organisations – third party loans – and from financing purchases of equipment by small companies. He also said that in the US the bank was moving to "become a wholesale bank [providing services to big companies] and out of the middle market and the retail market".

It is understood that the bank is therefore keen to sell one of its US operations, Barclays Bank New York, which has capital of some £100m.

Mr Wood said he was working on a project to improve the bank's management control systems, so that the bank has an improved grasp of the true profitability of individual services and products. Such management controls have to date eluded most of the big UK banks.



Nonetheless, Sir John applauded the progress of some divisions during the year. The financial services division, which includes life insurance operations, pushed up profits from £181m to £214m. Profits of Barclays de Zoete Wedd, the investment bank, rose from £5m to £61m.

There was also a recovery at the Barclaycard operation, Central Retail Services, which returned a profit of £46m compared with a loss of £4m, thanks to the introduction of charges for credit card holders. These profits were, however, less than half what the division has made in the past.

On the other hand, losses on loans took their toll of three divisions. Profits of the UK banking operations fell from £324m to £119m. The Mercantile companies made a loss of £126m, compared with profits of £2m. The US operations lost £217m, down from a £20m profit.

As a result the group's earnings per share fell from 24.7p to 15.2p.

Green light for UniChem and Lloyds to bid for Macarthy

By Maggie Urry

UNICHEM and Lloyds Chemists, which each bid for Macarthy last autumn, were both cleared yesterday by the competition authorities as potential owners of the retail pharmaceutical group.

Macarthy's shares rose 17p to close at 316p, valuing the group at £86.3m, as the market looked for a revival of at least one of the bids which lapsed when they were referred to the Monopolies and Mergers Commission. Both UniChem, which is a retailer and wholesaler of pharmaceuticals, and Lloyds, which runs the second largest chain of pharmacies in the UK, have 21 days to decide whether to bid again.

UniChem, the earlier of the two bidders, said yesterday that there was still logic in a merger between it and Macarthy "but only on the right terms". Its shares closed yesterday at 203p, up 2p. At that price its previous offer of 7 new shares plus 240p in cash for every 6 Macarthy shares would be worth 276.8p per Macarthy share. Since the bid was referred, UniChem has acquired E Moss, taking its retail chain to 132 shops.

Mr Allen Lloyd, chairman and chief executive of Lloyds, said Lloyds would "be re-examining the attractiveness of Macarthy in the light of what has happened in the intervening period and of other opportunities available to Lloyds".

When it lapsed, Lloyds' offer had been recommended by Macarthy and accepted by holders of 65 per cent of Macarthy's shares. Lloyds and its associates also hold 9.9 per cent of Macarthy's shares.

Lloyds' shares fell 5p to 340p yesterday as analysts thought it was likely to bid again. The original terms were one new Lloyds share and 21p in cash for every Macarthy share.

Last October, Lloyds said that if it did bid again it would expect to offer not less than 306p per Macarthy share, the highest value of its earlier bid. If it wanted to offer less now it would have to show there had been a material change of circumstances. Last month Macarthy reported a 15 per cent increase in pre-tax profits for its last financial year but cut its final dividend.

The MMC found that neither merger would be expected to operate against the public interest. It said that the regulation of the £3.8bn a year pharmaceutical market by the Department of Health was such that normal competitive pressures did not apply. It recommended that the DH should "pay close attention" to the effect of regulations on competition in the retail pharmacy sector, and that the Director General of Fair Trading should scrutinise any developments that might reduce competition.

The report found that Macarthy's share of the retail pharmacy market, through its Savory & Moore chain, was only 1.5 per cent, which added to Lloyds existing share would give the combined group 7 per cent of the market. If UniChem were to succeed with a bid it would have only 2.5 per cent of the market.

Trends in the wholesale market were towards fewer players, with only two, UniChem and AAH, having national coverage. If either merger were to go ahead, Savory & Moore's custom would be lost to the general wholesale market. However, the MMC thought that the loss of custom would not materially weaken competition.

UniChem plc/Macarthy plc and Lloyds Chemists plc/Macarthy plc. A report on the proposed mergers. HMSO £14.35.

BMW link with Rolls-Royce

BMW, the German executive and luxury car maker, is to supply airbag systems to Rolls-Royce Motor Cars, in its first formal link with the UK luxury car maker, writes Kevin Done.

The company said it was also discussing co-operation in the development and supply of other component systems, such as electric seat mechanisms and electronic automatic gearbox controls.

BMW insisted, however, that no negotiations had taken place "up to now" for it to take either a minority or majority stake in Rolls-Royce Motor Cars.

The UK luxury car maker, a subsidiary of Vickers, suffered a loss of about £60m last year under the impact of a 48 per cent drop in sales.

Lord Donoughue

Lord Donoughue wishes us to point out that he is not a former director of Bishopsgate Investment Management as stated in evidence given before a hearing of the House of Commons Select Committee on Social Security and reported in yesterday's Financial Times. In fact, Lord Donoughue is a former director of another Maxwell-owned company, London and Bishopsgate International Investment Management.

UK COMPANY NEWS

Trevor Humphries

Sainsbury appoints its first female executive director

By John Thornhill

J SAINSBURY, the grocery chain which ranks as the UK's biggest retailer, has appointed the first female executive director in its 123-year history.

She is Miss Rosemary Thorne (above), currently the financial controller at Grand Metropolitan, who will join the Sainsbury's board in three weeks' time.

Miss Thorne, 40, will replace Mr Derek Henson as finance director when he retires on his 60th birthday in June.

Miss Thorne trained as a management accountant and has worked at several retailing companies, including Mothercare, Storehouse and Harrods. She joined Grand Metropolitan in 1990.

Mr David Clapham, managing director of Savacentre, Sainsbury's hypermarket subsidiary, will also join the main board in September as one of three trading directors following the retirement of Mr Cecil Roberts.

Miss Thorne becomes the second female finance director of a FT-SE 100 company.

Last June, BTR, the UK-based industrial holding company, appointed Ms Kathleen O'Donovan, a partner at the accountancy firm Ernst & Young.

Yesterday, Miss Thorne shrugged off media interest in her appointment. "The appointment of a new finance director to a Footsie company is always significant. The female bit only makes it marginally more so," she said.

About 65 per cent of Sainsbury's 100,000 employees in the UK are female.

See Observer

Evered Bardon to raise £30m from asset disposals

By Angus Foster

EVERED BARDON, the quarry products group which is seeking to cut borrowings following a spate of acquisitions, is selling two non-core businesses to raise about £30m.

The company is selling its slag cement business, which has plants near London and in South Wales, for £25m cash. Daniel Platt, a clay tile manufacturer, is also being sold for £5m cash and £400,000 in repaid inter-group borrowings.

Evered Bardon has now raised about £34m from disposals since announcing last September a 49.5 per cent fall in interim pre-tax profits.

Mr Peter Tom, chief executive, said this was "a good step" towards reducing gearing from 75 per cent in September to about 40 per cent. The company is looking to sell three business in the US, in Arkansas, North Carolina and Indiana, which could fetch between \$70m-\$80m (£40m-£45.7m).

Net borrowings are expected to have fallen to about £250m at end-December, reflecting disposals and currency movements. This would reduce gearing to about 63 per cent on shareholders' funds of £400m.

The company has brought forward its reporting date by six weeks to mid-March and is expected to announce pre-tax profits for last year of about £26m, compared to £43.9m last time. James Capel, the company's broker, expects total dividends to be maintained at 5.595p even through this would not be covered by earnings per share of about 5p.

The slag cement business, which was acquired within the Civil and Marine aggregates group in 1990, last year reported trading profits of £2.5m on turnover of £11.6m.

The purchaser is a consortium led by 3i Group and involves Mr Mike Uren, cofounder of Civil and Marine and an executive director of Evered Bardon. Mr Uren will stay at Evered Bardon on "a substantially full time basis", the company said.

Bleak outlook in the housing market

David Barchard on the problems facing National Home Loans

THE RECESSION in the UK housing market has claimed several casualties but the near-collapse of National Home Loans, the specialist mortgage lender set up in 1987, is the most spectacular victim so far.

Two years ago, when Mr Richard Lacy, its founding chief executive, was deposed in a boardroom coup, NHL was the size of a top ten building society and looked set to weather the recession better than most of its competitors.

Its core mortgage business appeared to be in good shape – and the group had diversified into wholesale banking, leasing, consumer finance and commercial lending. Mr Jonathan Perry, who stepped up last Friday from non-executive director to become chairman in succession to Mr John Darby and chief executive in succession to Mr Kevin Milner, faces an almost unrecognisable situation.

The group is overshadowed by a £47.9m pre-tax loss in 1991. National Mortgage Bank, its banking arm, and the leasing, commercial lending and consumer finance subsidiaries have been separated from the rest of the business and are being managed by Mr Ian Hay Davison who has a mandate, discreetly endorsed by the Bank of England, to run them down and close them.

"The bank has been dead since July. Realistically, we could not expect it to take any extra deposits," says Mr Perry, adding that the decision to close it was, nevertheless, very recent. Mr Hay Davison, apart from winding down the bank, has also to offload £140m in commercial loans; about £90m in leasing agreements and £90m of consumer loans.

Although Mr Perry says he enjoys his new job and says he will stay in it until NHL is healthy again, he looks more like a stop-gap pontiff in charge of an organisation heading for a slow death.

The outlook is plainly very bleak. Any faint hopes that an outside buyer – perhaps a foreign bank – might be found for the company have now evaporated. Since its cash crisis last summer, the banks have been chary about making new cash available for NHL.

How did the group get into this situation? Last autumn it had 12,000 of its 71,000 accounts in arrears – though Mr Perry says that since then NHL's arrears, like those of most other lenders, have stabilised.

Nearly two thirds of the mortgages in trouble were self-certified borrowers who did not have regular salaries.

This week, negotiations with four bank syndicates – one thought to be the ten UK banks which last summer had to put up a £200m cash life boat to prevent the collapse of National Mortgage Bank – got under way. Mr Perry says that he is not looking to them for more time or for fresh cash. "We do not have cash flow problems," he says.

However, he confirms that some of NHL's five-year funding falls due for renewal this year. The business he heads now consists of a mortgage book of £700m. NHL is doing virtually no new lending. Instead, its hopes are pinned on selling off perhaps £100m of high quality mortgages in a securitisation to raise fresh cash. As the book shrinks, NHL is left with a higher proportion of problem debts.

Asked if he is worried about being left with a book which is just a rump of bad debts, Mr Perry chuckles and says that these days it is possible to securitise arrears as well as high quality mortgages. If he accomplishes his mission, NHL will no longer be the diversified consumer financial services group it was in 1990 when it had assets of £2.47bn, but a relatively large mortgage administrator with a balance sheet well below £500m and aspirations some day to return to mortgage lending.

As for NHL's 70,000 mortgage customers, in theory they are not affected by the company's misfortunes. But many of them are stuck with a mortgage interest rate of 12.1 per cent or 12.65 per cent – far above the prevailing market rate of 10.95 per cent.

Those of them that can afford to do so will probably want to remortgage to another lender. That will not be bad news for NHL, for to exit from the company, many borrowers will have to pay early redemption penalties, thereby making a useful addition to NHL's cash flow.

Ian Hay Davison: a mandate for closure

National & Provincial hits £100m

By David Barchard

NATIONAL & Provincial, the UK's seventh largest building society, made pre-tax profits of £100.4m in the year to December 31 despite bad debt provisions of £52.1m.

The result represented a 68 per cent improvement on 1990 when taxable profits were £59.8m.

At the same time there was a strong improvement in the society's market share, which rose from 2.3 per cent of net building society lending in 1990 to 6.4 per cent, and in its cost/income ratio which dropped sharply from 54 to 46.6 per cent.

The figures were hailed in the City as showing that despite the housing market depression, N&P was now back on course after several troubled years.

"This is by far the most improved set of results that the building society industry will see this year," said Mr John Wriglesworth, a building society analyst at UBS Phillips & Drew, the stockbroker.

"It is an outstanding achievement considering the state they were in only a year ago."

National & Provincial's total assets grew from £9.26bn to £10.7bn.

Net lending over the 12 months more than doubled from £563m to £1.32bn.

Its gross capital ratio weakened slightly from 6 to 5.7 per cent, but its free capital ratio rose slightly from 5 to 5.1 per cent.

The £52.1m provisions, up from £44.6m in 1990, reflected the society's view that the growth of mortgage payment arrears in 1991 would cause repossessions to continue to rise in 1992.

Post-tax return on reserves was up from 9.3 to 13.8 per cent.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interims- Bellwinch, Eleco, Isotron, JF Philippine Fund, Macro 4, Whinney Mackay-Lewis.
Finals- British Gas, Burlington, Cluff Resources, County Smaller Co's Inv, Courtaulds Textiles, Foreign & Colonial Inv, Grafton, Green Property, ICI, Kleen-e-ze, McAlpine (Alfred), Murray Ind, Philips Electronics, Royal Insurance, Wereldhave.

FUTURE DATES

Interims-	
Arcadian	Feb. 28
Microfilm Reprographics	Mar. 3
Raine Industries	Mar. 5
Renishaw	Mar. 5
Scholes	Mar. 17
Finals-	
Boddington	Mar. 25
Calderburn	Mar. 9
MB-Caradon	Mar. 30
Prudential	Mar. 24
Reckitt & Colman	Mar. 26
Sun Alliance	Apr. 2
TV-am	Mar. 6

Telegraph up 5% to £40.5m

By Raymond Snoddy

The Daily Telegraph yesterday unveiled pre-tax profits of £40.5m for 1991 - up more than 5 per cent despite the recession.

Mr Conrad Black, chairman, said that efforts to contain costs and increase circulation revenues had helped to offset a 12.5 per cent decline in advertising revenues.

Profits were also boosted by investment income which rose from £5.7m to £8.1m.

Turnover amounted to £219.1m, a fall of £2.9m. A final dividend of 4.5p, payable from earnings of 25.4p (17.8p) per share, gives a 9p total.

NEWS DIGEST

Ryan shares dip on profits fall

SHARES OF Dublin-based Ryan Hotels yesterday fell 7½p to 24½p on news of a sharp fall in profits for the year to end-October.

The fall, from I£2.82m to I£975,085 (£902,000) pre-tax, was blamed on the recession, the Gulf war and sharply higher interest charges.

The final dividend is cut to 0.5p (1.25p) making a 1p (1.75p) total. Earnings emerged at 1.11p (4.32p).

Turnover declined from I£20.1m to I£19.4m and profits at the trading level emerged at I£2.77m (I£3.31m). Interest charges accounted for I£1.72m (I£863,813) and exceptional provisions for I£82,000 (credits I£370,000).

Costs associated with the sale of three hotels were taken as a I£990,075 extraordinary item.

Cont Stationery likely to get MBO

Continuous Stationery has received an approach from its management which may lead to an offer of 40p cash per share for the whole of the issued capital.

The group includes Mr Derek Mottershead and Mr Ed Carson, joint managing directors with responsibility for Prontoprint and the business forms divisions of the company respectively. The terms value Continuous Stationery at about £6.8m. The shares rose 9p to 32p.

The buy-out team is being advised by Campbell Lutyens Hudson and the independent directors of the company by Morgan Grenfell.

Negotiations have commenced with potential providers of equity and debt finance for the offer.

Continuous Stationery announced last July that approaches had been made which might, or might not, lead to an offer.

Merlin in financial reconstruction

Results for the six months to December 31 at Merlin International Properties, whose shares were suspended last April, showed a sharp reduction in pre-tax losses from £7.06m to £2.69m. Losses per share were halved, from 31.2p to 15.2p.

Merlin, which is now trading profitably, is to be financially reconstructed in order to gain and demonstrate stability, a prerequisite for the reinstatement of its share quotation.

A new holding company, Merlin International Holdings, is to be formed; it will offer to exchange its shares for existing MIP shares on the basis of one MIH new ordinary for each MIP share and two MIH ordinary for each MIP preference. MIH shares are to be listed, replacing the present MIP listing.

In addition, the company will offer existing and certain new shareholders the right to subscribe for up to £9.6m (£9.3m net) of new ordinary shares at a price to be determined by the company's brokers.

Dunedin Income net asset value up 10%

Dunedin Income Growth Investment Trust reported net asset value of 542.2p as at January 31 – a rise of 10 per cent over the year.

Net revenue amounted to £7.96m, down from £8.17m, for earnings of 25.04p (25.72p) per share.

A recommended final dividend of 17p brings the total for the year to 25.4p (24p).

Chieftain makes small advance

Taxable profits at Chieftain Group, the USM-quoted supplier of specialist insulation and fireproofing services, showed a small advance in 1991.

Profits rose from £1.04m to £1.06m, struck on turnover £2m ahead at £14.4m. Mr Peter Wardle, chairman and joint managing director, said the group had continued with its strict cash control policy and had ended the year with a cash balance of £948,000 (£450,000).

In spite of still weak demand, the order book remained firm, substantially unchanged at £15.2m.

Earnings increased to 8.27p (7.79p) per share and a final dividend of 3p is proposed for a total of 4.9p (4.6p).

Multitrust net asset value at 35.64p

Net asset value at Multitrust was 35.64p per share at the December 31 interim stage, up from 33.56p a year before but down from 41.92p at the June 30 year-end.

At the pre-tax level the trust achieved £83,944 in the six months, against losses of £21,014. Mr Andrew Perloff, chairman, said that this was a record half-year profit and was mainly due to the minimising of overheads.

After tax of £21,134 (£1,876) earnings emerged at 1.45p per share (losses 0.53p) and a maiden interim dividend of 1.5p is declared. The board intends to pay a further 1p at the year-end.

Paribas French net asset value rises

Paribas French Investment Trust had a net asset value of 91.15p per share at December 31 against 80.98p a year earlier.

Total income for the year was lower at £964,593 (£991,467) and net income fell from £459,028 to £405,259 after tax of £187,238 (£211,791).

Earnings per share amounted to 1.35p (1.85p) and the proposed dividend is an unchanged 1.2p.

Record Hldgs falls 29% to £3.35m

Record Holdings, a maker of hand and bench tools, suffered a 29 per cent fall in pre-tax profits to £3.35m for the 12 months to end-December.

The company described the period as one of its "worst recorded trading years". Turnover fell to £26m (£34.9m), although £5.6m of the downturn was accounted for by sold or discontinued activities.

Earnings worked through at 6.9p (10.4p). A same-again final dividend of 2.45p makes a maintained 3.6p total.

6% improvement to £9.1m at CMG

Computer Management Group, a privately-held computing services company with strengths in financial services and public utilities, last year shrugged off the UK recession to record improved sales and profits.

Turnover for 1991 rose by 7 per cent to to £103m (£96.2m) while pre-tax profits advanced by 6 per cent to £9.1m.

Earnings per share were 39.8p (37p), and a dividend of 13.1p (12.7p) is recommended.

Mr Ron White, chairman, said the group had continued to prosper where many competitors had faltered because of the size of its businesses in the Netherlands and Germany which enabled it to withstand the effects of the UK recession. Dutch operations now accounted for 53 per cent of group turnover while the German business was taking off after a slow start.

UK sales were flat at £39m but an early programme of cost cutting measures ensured that the UK activities made a profit of £600,000 last year compared with a loss of £1m in 1990; unprofitable operations in Scotland and Bristol were closed and the management structure has been overhauled.

Cash balances at the end of the year amounted to £8.5m.

COMMODITIES AND AGRICULTURE

False rumours lift zinc market

By Kenneth Gooding, Mining Correspondent

FALSE RUMOURS that one of the world's biggest zinc smelters was to cut production drove the metal's price up strongly on the London Metal Exchange yesterday.

Zinc for delivery in three months closed at $1,180.50 a tonne, up $33.50. The price has risen by nearly 5 per cent this week on nervousness about supply disruptions even though analysts insist that stocks are high and rising and the market is heading for another supply surplus this year.

After the market closed last night, Cominco, the Canadian group, denied persistent rumours that it was to cut output at its Trail smelter in British Columbia. The smelter is scheduled to produce 270,000 tonnes of zinc and 110,000 tonnes of lead this year. Cominco earlier announced a cut of 500 jobs at Trail to save $50m a year.

Also underpinning the zinc price is the *force majeure* at Minero Peru's 93,000 tonnes-a-year Cajamarquilla smelter – although it is delivering some metal to customers – and labour contract talks at Big River Minerals' 80,000 tonnes-a-year smelter in the US.

Analysts pointed out that nearly half of zinc demand came from the galvanised steel industry and the main users, the construction and automotive industries, were unlikely to recover from recession until towards the end of 1992.

"Demand is not healthy. There have not been enough cuts in production. But the market is being driven by sentiment," said Ms Karen Norton, analyst with Billiton-Enthoven Metals, part of the Royal Dutch/Shell group.

US plans hand-to-hand combat over farm trade

By Nancy Dunne in Washington

US OFFICIALS are bracing themselves for failure to reach agreement in the Uruguay Round of the General Agreement on Tariffs and Trade by June 30 with plans for "hand-to-hand combat" with the European Community and pouring an extra $1.5bn in subsidised agricultural exports on to the world market.

In testimony before the House of Representatives' Agriculture Committee on Tuesday, Mr Julius Katz, the deputy US trade representative, said the Bush administration was planning to reduce the already-low (5 per cent) wheat set-aside to encourage all-out production.

As required by 1990 farm legislation, an additional $1bn will be spent on export promotion - loans, guarantees subsidies and marketing.

Clearly not optimistic that the Gatt negotiators will meet their mid-April deadline for settlement, Mr Katz dismissed suggestions that a meeting of heads of government could bring the round to a conclusion.

Mr Richard Crowder, assistant secretary of agriculture, said if it was accepted, the Dunkel draft, offered by Mr Arthur Dunkel, the Gatt Director-General, as a settlement for the round, would push up American farm incomes by $1bn in 1998. Exports would climb by as much as $5bn, and government outlays would fall by $2.5bn.

Democrat congressman Ronald Coleman said the draft provided little reform; It was time, he said to "do some hand-to-hand combat, getting back our markets."

Happier times for Peru's 'big gringo octopus'

Things are looking up at the country's foreign-owned mining giant, writes Sally Bowen

AN AIR of cautious celebration pervades the Lima headquarters of Southern Peru Copper Corporation, the country's principal foreign investor and producer of two-thirds of all Peru's copper. Not only was last year's production of blister from its Ilo smelter a record, but a long-standing dispute with the government has amicably ended – and SPCC is about to embark on a $300m investment programme.

"We've now got our plate full with five new projects," says Mr Charles Preble, the corporation's president, who has spent 26 years of his life with the company he jokingly calls "the big gringo octopus". Eight engineering companies are currently bidding for construction of two new electro-winning plants – the combined price tag is about US$100m.

The new plant at Cuajone, a copper porphyry deposit 650 miles south of Lima, which treats some 20m tonnes of ore annually, will come on stream in March next year. Nearby Toquepala's larger electro-winning project will take twice as long. Combined output from the two new plants will be close to 40,000 tonnes a year of cathode copper, increasing Peru's total production by about 9 per cent.

Southern Peru, with annual sales around $650m, has made a "firm commitment to the Peruvian government" to plough a further $100m into plant and equipment renewal over the next five years – well above average annual investment. The other projects, together making up the third $100m tranche, are broadly environmental: a small sewage treatment plant for the Ilo camp, a tailings disposal facility and a partial capture acid plant for the Ilo smelter, a continuing thorn in the flesh both for the corporation and for local inhabitants and farmers who regularly claim substantial compensation for damage to health and crops from smelter "fall-out" gases.

The problem with producing 155,000 tonnes of sulphuric acid annually at Ilo is that Peru's market is already saturated. Acid capture plants at the state-owned Cajamarquilla and Centromin refineries can produce 225,000 tonnes a year. They operate at about 72 per cent capacity and still sell only 80 per cent of output. "This is a loss project all the way," says Mr Preble, although he hopes to use some in Southern Peru's own projects, capture part of the local market and maybe sell abroad too.

Despite the corporation's 35 long years of survival in what has been one of the most difficult countries for foreign investors, banks abroad are showing only "guarded interest" in coming up with the $100m to $150m of outside financing required for the handful of projects. "Conditions for investment have certainly improved," says Mr Preble, "but our impression is that banks won't move fast to finance new projects until the Paris Club and Peru's commercial debt is fully worked out."

Among the avalanche of recent liberalising legislation, Mr Preble particularly applauds freeing of remittances. Now that companies operating in Peru can hold bank accounts anywhere it the world, remitting profits is as simple as writing a cheque. "And the Central Bank is no longer a player in the inflow and outflow of capital, as it is, for example, in Chile – that's enormously helpful."

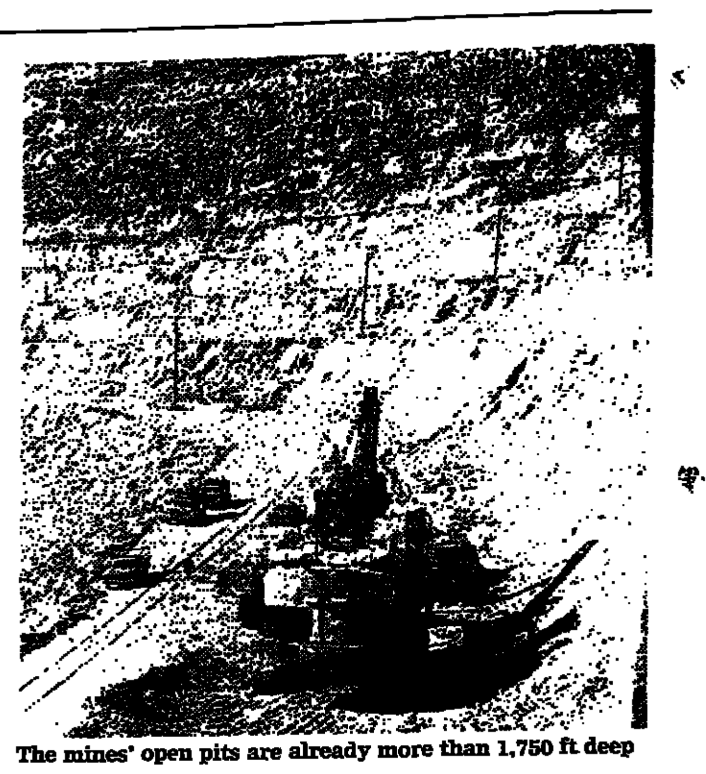
Southern Peru needed a boost. Last year had started tough with the company posting a first quarter loss of $39m, mainly resulting from exceptionally high petroleum costs (the corporation requires substantial quantities of "Residual 6" to generate electricity to operate the Cuajone and Toquepala mines), an emergency 10 per cent government levy on exports and labour costs that increased far faster than the dollar exchange rate.

Most of that loss was recovered in the second half through strict austerity measures, permission for direct import of cheaper petroleum and personnel reductions where feasible. By year's end, the corporation's payroll had dropped by several hundred to 5,550 – and there have been no strikes for 18 months.

"We're still asking the accounts department daily whether we actually ended 1991 in profit," says Mr Preble. Different accounting systems mean that US head office (SPCC is a branch) calculates around break-even, while "according to the Peruvians we made money".

The 1.79m short tons (2,000 lb) of copper concentrates processed at Ilo last year – which included some purchased from state-owned mines Tintaya and Cerro Verde – produced a record 300,117 short tons of blister, 99.2 per cent pure. Two-thirds of this goes to state-owned Mineroperu's refinery also at Ilo to be made into 99.98 per cent pure copper cathodes. The rest is exported as blister, mainly for electrical use in Europe and the Far East.

Southern Peru says it has no plans yet awhile to acquire and develop the large but low-grade Quellaveco copper deposit which lies between Cuajone and Toquepala. The corporation's two mines have proven reserves lasting well into the first decade of the 21st century, and the huge open pits, already more than 1,750 feet deep, may reveal more riches yet.



The mines' open pits are already more than 1,750 ft deep

Coffee prices 'could fall still further'

By David Blackwell

THE COFFEE market, already close to 17-year lows, could fall still further before moving higher in a few months, according to the latest report from E.D. & F. Man.

Man believes there are three factors behind the recent fall, which has left prices similar to the early 1970s in nominal terms but 60 per cent lower if adjusted for inflation.

First the bullish influence of the approach of International Coffee Organisation meetings is now almost non-existent; in fact ICO talks seem to have become a negative factor. Second, New York speculators have moved from holding long positions last September to short positions. Third, hard-pressed producers simply cannot afford to hold back sales, and roasters, particularly in the US, are more concerned about aggressive competition in the retail business.

"In all sectors the sentiment seems to be that while prices may recover during the course of the year, it is too dangerous to act now on the assumption that there will be no short-run downward moves in the price of coffee," says Man.

UK farmers competing on equal terms, says Gummer

By David Blackwell

UK FARMERS in general are competing on equal terms with other farmers in the European Community, Mr John Gummer, agriculture minister, told the House of Commons Agriculture Committee yesterday.

"It is very difficult to argue that taken overall the British farmer is at a disadvantage," Mr Gummer told the committee, which is looking at the UK's £5.4bn food and drink trade gap.

Mr Gummer said he would vigorously prosecute any case where the UK was shown to be unfairly discriminated against and that had any hope of standing up in the European Court. However, the court was a last resort because of the length of time involved; most cases could be resolved speedily through the commission or by bilateral pressure.

Asked if he was pressing for increased EC milk quotas for the UK, which is not self-sufficient in dairy products, Mr Gummer said the idea of self-sufficiency had been signed away to the single European market. If the UK were to seek more milk quota, the French would in future be entitled to call for sufficient quota to be self-sufficient in sheepmeat. France is an important market for UK sheepmeat.

While the UK was against quotas, once they had been established as they have been for milk it was difficult to remove them, Mr Gummer said. He also pointed out that UK milk was still being sold into intervention. It should be perfectly possible to restructure the industry to manufacture for the top end of the market, he suggested.

British food standards were the highest in the world, but the image of British food abroad was not as good as it should be. This could be changed in time, Mr Gummer said pointing to several British success stories – the sliced loaf, used to make "le British sandwich", beef, lamb, biscuits, and jams.

Anglo American tops exploration league

By Kenneth Gooding

RTZ CORPORATION of the UK may claim to be the world's biggest mining group but its exploration expenditure last year fell below that of its main rival, the Anglo American Corporation of South Africa.

According to a survey by the Metals Economics Group of Canada, RTZ expected to spend US$100m on grassroots exploration in 1991 whereas Anglo budgeted $102m. When associated companies are taken into account, the RTZ group budget was $200m compared with Anglo's $221m.

The Anglo spending includes $60m by its De Beers diamond associate, $22m by Minorco, its overseas investment arm, and $12m by Gold Fields of South Africa, which MEG includes because of Anglo's 25.9 per cent shareholding in GFSA.

Nine companies are listed in the RTZ group, including CRA of Australia, which budgeted $86m exploration spending for last year.

Other big exploration spenders last year included Canada's Noranda, with a budgeted $171m (including $62m by Falconbridge) and the 11 companies knit into the combine comprised of MIM, Asarco, Cominco, Teck and Metallgesellschaft, which between them expected to spend $125m. Placer Dome budgeted to spend $60m, as did the Anglovaal group. BHP was scheduled to spend $54m on non-ferrous metals exploration, Newmont Mining $50m and Western Mining $44m.

MEG says the Hanson conglomerate's US gold subsidiary, Gold Fields Mining Corporation, expected to maintain its exploration budget at $17m.

The survey covered 153 mining companies with annual exploration budgets of more than $1m. MEG estimates these accounted for 80 per cent of all worldwide spending on non-ferrous metals exploration (the survey excludes iron ore, bauxite, coal or oil and gas exploration). It says there was an 8 per cent fall in expenditure by the companies surveyed compared with 1990. Of the $1.8bn total, $430m was directed to projects in Canada, $353m to Australia and $341m to the US.

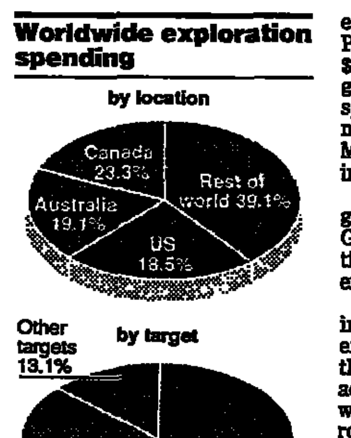
MEG points out that, although it is still attracting most spending, Canada's exploration level has fallen sharply from 1987 and 1988 when favourable tax treatment for investors boosted spending to more than $1bn in each year.

US expenditures have remained relatively stable but Australian spending has fallen steadily since 1987. Rough estimates put spending in South Africa at $245m, in South America at $200m, the south Pacific region at $125m, Europe at $80m and Africa outside South Africa at $70m.

Gold exploration attracted more than $1bn or 56 per cent of total spending while base metals exploration, having recovered from the depressed levels of the mid-1980s, accounted for 31 per cent.

MEG says: "Many of the major companies have kept up a relatively constant base metals exploration effort from year to year, but smaller companies are now joining in as the low gold price continues to dampen investor interest in gold.

Corporate Exploration Strategies: US$9,500 from MEG, 2000 Barrington Street, PO Box 2206, Halifax, Nova Scotia B3J 3C4.



Source: Metals Economics Group

Norway to host oil meeting

NORWAY IS to host talks between ministers of oil producing and consuming countries in July, the second such meeting since a hesitant dialogue began last year between the traditionally opposed camps, reports Reuter from Paris.

An official at the Norwegian embassy here said that Norway would invite oil, energy and foreign affairs ministers from about 20 countries, including producers and consumers, to meet in Bergen on July 2 and 3. Norway made its initiative public yesterday at a three-day gathering of technical experts from oil consuming and producing countries.

False alarm

TESTS ON tissue from Welsh cattle suspected to have foot and mouth disease proved negative, the Welsh office announced yesterday. Restrictions on animal movements within a five-mile radius of a farm in the Meidrim area, near Carmarthen, Dyfed, have been lifted.

WORLD COMMODITIES PRICES

MARKET REPORT

Platinum went in to retreat on the London bullion market after Tuesday's confusion over the new Corning catalytic converter, which turned out to be an additional pollution control device for cars. London dealers said that positions being unwound on Nymex were pushing platinum lower while proving supportive for gold. Strong chart support was pegged at $350 and at the parity level with gold. In addition, downward pressure was mounting on platinum on fears US that the economic recovery is faltering after Tuesday's lowest consumer confidence index figures for 17 years. However, on Nymex platinum futures were firmer at midday as support levels survived early tests. Comex gold prices were easier at midday as investors continued to shun the market and turn to stocks. "People are making money in the stock market. That, more than any other reason, is why gold is dead in the water," one analyst said. On the LME copper backtracked from earlier 2½-month highs in reaction to talk that Codelco unions had postponed strike action. But after the close, a union official said that the protest plan was still on at El Teniente. Aluminium retreated from earlier seven-month highs in the afternoon on profit taking.

Compiled from Reuters

London Markets

SPOT MARKETS		
Crude oil (per barrel FOB)		+ or -
Dubai	$15 15-5.25w	+0.10
Brent Blend (dated)	$17.15-7.25	-.175
Brent Blend (Apr)	$17.25-7.30	-.075
W.T.I (1 pm est)	$18 35-8.40w	
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$196-198	+0.5
Gas Oil	$161-162	
Heavy Fuel Oil	$68-70	+1.5
Naphtha	$177-178	-0.5
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$349.35	-0.85
Silver (per troy oz)♣	410c	-1.0
Platinum (per troy oz)	$352.90	-6.8
Palladium (per troy oz)	$83.50	-0.75
Copper (US Producer)	106.44c	+0.49
Lead (US Producer)	37.375c	
Tin (Kuala Lumpur market)	14.32r	+0.02
Tin (New York)	261.5c	
Zinc (US Prime Western)	62c	
Cattle (live weight)†	106.85p	+0.27*
Sheep (live weight)†♠	100.99p	+0.29*
Pigs (live weight)†	95.58p	+0.30*
London daily sugar (raw)	$209.5v	
London daily sugar (white)	$262.0v	
Tate and Lyle export price	£228.0	+3.0
Barley (English feed)	£120	
Maize (US No 3 yellow)	£148.0	+1.5
Wheat (US Dark Northern)	Unq.	
Rubber (Apr)♥	52.00p	
Rubber (May)♥	52.25p	
Rubber (KL RSS No 1 Mar)	210.0m	
Coconut oil (Philippines)§	$662.5t	
Palm Oil (Malaysian)§	$385.0q	+2.5
Copra (Philippines)§	$455.0y	
Soyabeans (US)	£152.0q	-1.0
Cotton "A" index	56.20c	+0.65
Wooltops (64s Super)	473p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. q-Mar t-Apr/May u-Jan/Mar v-Mar/Apr y-Feb/Mar z-Feb w-Apr. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg. ♠Sheep prices are now live weight prices.

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low	
Mar	178.00	183.00	182.20	175.00
May	177.60	181.40	182.40	177.20
Aug	183.20	186.00	187.40	182.20
Oct	185.00	188.00	188.60	187.40
White	**Close**	**Previous**	**High/Low**	
May	258.6	262.1	262.0	259.0
Aug	263.6	267.3	268.5	264.0
Oct	256.0	258.5	258.0	256.0
Dec	258.5	260.1	259.5	
Mar	260.0	262.6	262.0	261.0

Turnover: Raw 430 (338) lots of 50 tonnes. White 916 (1489)
Paris- White (FFr per tonne): May 1472.43 Aug 1519.19

CRUDE OIL – IPE ($/barrel)

	Latest	Previous	High/Low	
Apr	17.29	17.47	17.40	17.20
May	17.34	17.47	17.42	17.25
Jun	17.36	17.48	17.46	17.27
Jul	17.48	17.41	17.48	17.30
Aug	17.30	17.40	17.30	17.30
Sep	17.50	17.27	17.50	17.50
Dec	17.55	17.26	17.55	17.43
IPE Index	17.34	17.48		

Turnover: 16134 (27451)

GAS OIL – IPE ($/tonne)

	Close	Previous	High/Low	
Mar	159.75	158.50	160.25	157.75
Apr	158.75	158.00	159.25	156.25
May	158.25	157.00	158.50	156.00
Jun	159.60	158.00	159.50	157.00
Jul	162.00	160.75	162.00	159.50
Aug	164.25	162.75	164.25	161.75
Sep	165.50	165.25	165.50	164.00
Oct	169.00		169.00	166.00

Turnover 10353 (12514) lots of 100 tonnes

WOOL

Higher prices are being paid for wool in all markets, and auction clearances are practically full. There is more active trading in semi-manufactures as a result of the rising price trend, and retailers are said to be showing more interest in planning ahead. The Australian Wool Corporation's market indicator reached 643 cents on February 26, 12 per cent higher than at the opening sales in January. Prices being paid for some widely-used wools are now higher than the old floor price levels which were abandoned with the scheme a year ago. The overall AWC indicator reached 700 cents at the time.

COCOA – London FOX (£/tonne)

	Close	Previous	High/Low	
Mar	673	664	674	661
May	709	695	710	689
Jul	736	723	737	719
Sep	759	748	759	745
Dec	793	783	794	781
Mar	823	813	821	813

Turnover: 11202 (9874) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Feb.25 864.37 (855.06) 10 day average for Feb.26 849.60 (849.56)

COFFEE – London FOX ($/tonne)

	Close	Previous	High/Low	
Mar	786	776	791	766
May	802	803	811	790
Jul	830	833	835	819
Sep	856	856	860	846
Nov	884	881	882	870
Jan	916	910	902	896

Turnover:5327 (6141) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Feb. 25: Comp. daily 53.37 (52.98) 15 day average 55.89 (56.86)
Sterling close: March £447

POTATOES – London FOX (£/tonne)

	Close	Previous	High/Low	
Mar	120.0		115.0	
Apr	119.0	119.3	119.8	119.0
May	141.3	141.5	141.5	140.8
Apr	124.5	125.0	124.5	123.5

Turnover 117 (43) lots of 20 tonnes.

SOYAMEAL – London FOX (£/tonne)

	Close	Previous	High/Low
Apr	128.50	129.00	128.50
Oct	128.30		128.30

Turnover 50 (100) lots of 20 tonnes.

FREIGHT – London FOX ($10/index point)

	Close	Previous	High/Low	
Feb	1228	1232	1232	
Mar	1285	1278	1290	1275
Apr	1307	1318	1320	1305
Jul	1128	1137	1135	1129
Oct	1234		1245	1240
BFI	1227	1234		

Turnover 286 (267)

GRAINS – London FOX (£/tonne)

Wheat	Close	Previous	High/Low	
Mar	124.50	124.80	124.60	124.45
May	128.35	128.60	128.50	128.00
Jun	130.00	130.30	129.80	
Nov	115.65	115.85	115.85	115.75
Jan	119.35		119.45	
Mar	122.60	122.85	122.85	122.55
Barley	**Close**	**Previous**	**High/Low**	
Sep	108.25		108.25	
Nov	112.15		112.15	
Jan	115.75		115.85	

Turnover: Wheat 202 (395), Barley 26 (179).
Turnover lots of 100 Tonnes.

PIGS – London FOX (Cash Settlement) p/kg

	Close	Previous	High/Low	
Mar	119.0	118.0	118.5	118.0
Apr	117.0	117.5	116.5	
May	115.0	116.0	115.0	114.8
Jun	114.0	115.0	114.0	
Jul	109.0	109.5	108.5	

Turnover 52 (52) lots of 3,250 kg

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 31,567 lots
Cash	1322-3	1315-6	1312/1311.5	1332-2.5		
3 months	1348-9	1341-2	1365/1345	1358-8.5	1345-6	150,676 lots
Copper, Grade A (£ per tonne)						Total daily turnover 49,621 lots
Cash	1291-2	1275.5-6.5	1304/1292	1304-5		
3 months	1305-6	1294-5	1318/1306	1316-7	1308-9	121,253 lots
Lead (£ per tonne)						Total daily turnover 1,242 lots
Cash	292-3	290.25-0.75		293-3.5		
3 months	303.5-4.0	302-2.25	306/303	305.5-6.0	303-4	14,451 lots
Nickel ($ per tonne)						Total daily turnover 4,157 lots
Cash	7925-35	7890-8000	7915/7910	7915-20		
3 months	7990-8000	8050-60	8070/7950	7975-80	8010-5	22,291 lots
Tin ($ per tonne)						Total daily turnover 1,817 lots
Cash	5590-600	5655-65		5826-30		
3 months	5640-50	5685-700	5680/5625	5665-70	5630-5	5,560 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 14,869 lots
Cash	1160-1	1128.5-7.5	1158/1155.5	1165-5.5		
3 months	1180-1	1146.5-7.0	1190/1151	1175-6.0	1188-9	44,370 lots

LME Closing £/$ rate: SPOT: 1.7465 3 months: 1.7214 6 months: 1.7015 9 months: 1.6827

LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold (fine oz)	$ price	£ equivalent
Close	349.20-349.50	
Opening	348.90-349.20	
Morning fix	348.80	200.322
Afternoon fix	348.65	199.685
Day's high	348.40-348.70	
Day's low	348.20-348.50	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	3.57	6 months	3.57
2 months	3.58	12 months	3.59
3 months	3.57		

Silver fix	p/fine oz	US cts equiv
Spot	233.75	406.50
3 months	239.60	410.60
6 months	245.50	415.25
12 months	256.55	425.00

GOLD COINS
(Prices supplied by Engelhard Metals)

	$ price	£ equivalent
Krugerrand	348.75-349.75	199.75-200.25
Maple leaf	359.50-360.50	206.00-206.50
New Sovereign	85.50-86.50	49.00-49.50

TRADED OPTIONS

Coffee	May	Jul	May	Jul
750	60	94	8	14
800	27	60	25	30
850	11	35	59	55
Cocoa	**May**	**Jul**	**May**	**Jul**
675	45	47	12	13
700	30	67	21	21
725	20	43	26	32
Brent Crude	**Apr**	**May**	**Apr**	**May**
1700	43		20	45
1750	18	31	40	60
1800	9	24	74	

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Feb	349.5	349.4	349.3	348.5
Mar	349.7	349.6	0	0
Apr	350.8	350.6	350.9	349.4
Jun	353.0	352.8	352.7	351.5
Aug	355.3	355.0	354.9	354.3
Oct	357.5	357.2	356.7	356.2
Dec	359.8	359.6	359.4	358.8
Feb	362.2	362.0	361.4	361.0
Apr	364.5	354.4	363.8	363.8

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Apr	356.9	353.4	357.0	351.6
Jul	356.2	353.2	356.0	352.0
Oct	359.4	356.4	359.0	355.0
Jan	359.4	356.4	358.0	356.0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Feb	406.1	406.5	0	0
Mar	406.1	406.8	410.0	404.5
Apr	407.6	408.3	0	0
May	409.5	410.2	413.5	407.5
Jul	412.8	413.6	417.0	411.0
Sep	416.2	417.0	419.5	418.0
Dec	421.6	422.4	425.0	421.0
Jan	423.3	424.1	0	0
Mar	427.5	428.3	429.0	428.0
May	431.9	432.7	0	0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Feb	103.10	102.00	103.10	102.40
Mar	102.95	102.00	103.10	102.20
Apr	103.10	101.80	102.70	102.25
May	102.90	101.55	103.10	101.85
Jun	102.35	101.15	0	0
Jul	101.90	100.70	102.00	101.10
Aug	101.60	100.50	0	0
Sep	101.35	100.30	0	0
Oct	101.20	100.20	0	0
Nov	101.05	100.10	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	7.87	8.16	8.19	7.86
May	7.95	8.15	8.21	7.95
Jul	8.11	8.31	8.37	8.10
Oct	8.25	8.45	8.46	8.24
Mar	8.46	8.73	8.65	8.45
May	8.47	8.73	0	0
Jul	8.59	8.66	0	0

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Apr	18.35	18.48	18.50	18.26
May	18.51	18.60	18.64	18.40
Jun	18.66	18.77	18.78	18.58
Jul	18.77	18.87	18.90	18.67
Aug	18.85	18.92	18.95	18.85
Sep	18.85	18.94	18.95	18.85
Oct	18.91	18.96	18.95	18.87
Nov	18.94	18.99	19.00	18.94
Dec	18.96	19.02	19.00	18.90
Jan	18.98	19.00	18.98	18.90

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Mar	5059	5135	5115	5055
Apr	5080	5142	5125	5075
May	5070	5115	5110	5065
Jun	5065	5101	5110	5060
Jul	5100	5131	5150	5100
Aug	5180	5206	5220	5180
Sep	5341	5341	0	0
Oct	5425	5451	5470	5425
Nov	5540	5551	5540	5540
Dec	5650	5651	5665	5640

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Mar	1101	1080	1111	1072
May	1128	1101	1133	1090
Jul	1161	1136	1167	1129
Sep	1193	1171	1193	1167
Dec	1240	1220	1241	1215
Mar	1275	1256	1279	1267
May	1302	1283	0	0
Jul	1324	1305	1327	1327
Sep	1357	1339	1357	1357
Dec	1392	1374	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Mar	67.50	66.40	67.75	65.00
May	69.10	68.00	69.25	66.25
Jul	71.90	71.00	71.95	69.00
Sep	74.50	73.50	74.60	71.75
Dec	77.75	77.25	77.75	75.40
Mar	81.75	80.50	80.00	80.00
May	84.25	84.25	0	0
Jul	85.50	86.50	0	0

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Mar	54.90	55.10	55.25	54.80
May	56.96	57.15	57.15	56.56
Jul	58.50	58.65	58.65	58.10
Oct	60.10	60.00	60.10	59.72
Dec	60.65	60.40	60.70	60.26
Mar	62.15	61.85	62.00	62.00
May	62.70	62.35	0	0
Jul	63.35	62.85	0	0

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	142.00	141.55	142.50	141.20
May	138.30	137.80	138.85	137.20
Jul	136.10	136.00	136.75	135.40
Sep	132.00	132.25	133.15	131.75
Nov	124.55	125.25	125.00	124.60
Jan	124.55	125.25	125.00	124.75
Mar	124.55	125.25	125.00	124.75
May	124.55	125.25	0	0
Jul	124.55	125.25	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

Feb.26	Feb.25	mnth ago	yr ago
1608.0	1598.4	1586.4	1888.6

DOW JONES (Base: Dec. 31 1974 = 100)

	Feb.25	Feb.24	mnth ago	yr ago
Spot	118.80	118.67	115.62	123.86
Futures	121.62	121.22	122.80	128.03

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Mar	572/6	577/2	578/0	572/4
May	580/6	587/2	587/4	580/0
Jul	590/0	596/2	596/4	589/0
Aug	593/6	599/6	601/0	593/4
Sep	597/4	603/0	602/4	597/0
Nov	605/6	611/4	612/6	605/0
Jan	615/4	620/4	622/0	615/4
Mar	625/2	631/0	631/0	625/2

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Mar	19.46	19.71	19.66	19.40
May	19.78	20.03	19.99	19.71
Jul	20.07	20.32	20.30	20.04
Aug	20.24	20.50	20.44	20.22
Sep	20.38	20.62	20.55	20.37
Oct	20.48	20.72	20.69	20.48
Dec	20.83	21.15	21.06	20.83
Jan	20.90	21.20	20.90	20.90

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Mar	173.1	174.6	174.1	173.0
May	175.8	177.2	176.9	175.6
Jul	178.2	179.8	179.6	178.2
Aug	179.0	180.6	180.5	179.0
Sep	180.3	181.9	181.7	180.3
Oct	194.0	196.2	195.5	194.0
Dec	195.8	198.0	197.0	195.5
Jan	196.5	198.5	0	0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Mar	261/2	262/6	263/2	260/6
May	268/0	268/6	270/4	267/0
Jul	273/6	274/0	276/0	272/0
Sep	270/6	270/6	273/2	269/2
Dec	268/0	267/6	270/6	265/6
Mar	274/4	274/0	278/0	272/4
May	278/2	278/0	280/4	276/4

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Mar	416/0	409/2	418/0	405/0
May	410/4	403/2	414/0	399/4
Jul	385/6	380/4	389/0	376/0
Sep	389/2	384/6	391/4	382/0
Dec	400/4	395/0	401/0	392/0
Mar	402/0	396/4	403/0	395/0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Apr	76.700	77.075	77.250	76.200
Jun	72.850	73.150	73.275	72.325
Aug	68.750	69.175	69.275	68.550
Oct	68.225	68.775	68.800	68.100
Dec	68.825	69.360	69.350	68.700
Feb	68.175	68.725	68.650	68.150

LIVE HOGS 40,000 lb; cents/lbs

	Close	Previous	High/Low	
Apr	39.300	39.675	39.850	39.100
Jun	44.025	44.450	44.500	43.925
Jul	44.325	44.600	44.675	44.200
Aug	42.800	43.250	43.250	42.700
Oct	40.075	40.450	40.350	39.950
Dec	43.050	43.325	43.200	42.850
Feb	43.650	44.000	43.900	43.650
Apr	42.150	42.350	0	42.150

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Mar	32.200	33.550	33.350	32.100
May	33.700	35.025	34.850	33.550
Jul	34.750	36.075	35.950	34.750
Aug	34.025	35.200	35.550	34.025
Feb	46.500	47.600	47.850	46.400
Mar	46.000	46.500	47.000	46.000
May	48.500	0	0	0
Jul	48.600	0	0	0

LONDON STOCK EXCHANGE

Equity sector recovers its confidence

By Terry Byland, UK Stock Market Editor

THE HOPE of a generous budget speech on March 10, probably accompanied by a cut in base rates, led the UK stock market ahead yesterday. With unfavourable developments on both corporate and political fronts apparently discounted for the present, the market resumed its advance towards the top of its latest trading range, gaining 18.2 on the FT-SE Index scale.

Trading volume picked up after a slow start and strengthened significantly towards the close when US buyers appeared in force for BP, continuing the transatlantic tug-of-war in the share price.

Equities opened uneasily after the latest UK opinion polls had indicated a three point lead for the opposition Labour party. However, shares quickly turned higher, helped again by a strong opening in the stock index futures.

Account Dealing Dates		
*First Dealings:		
Feb 10	Feb 24	Mar 9
Option Declarations:		
Feb 20	Mar 5	Mar 19
Last Dealings:		
Feb 21	Mar 6	Mar 20
Account Day:		
Mar 2	Mar 16	Mar 30

*New-time dealings may take place from 8.30 am two business days earlier.

At the day's best, the Footsie was more than 24 points ahead at just over 2,571. The pace in London slackened, however, when Wall Street made a slow start to the new session.

At the close of trading, the FT-SE Index was 18.2 ahead at 2,565. Barclays de Zoete Wedd yesterday reiterated its view that the London market has established itself in a trading range of FT-SE 2,450 - 2,600 ahead of the UK general election which is widely expected at the beginning of April.

Confidence in the prospect of a cut in base rates appeared to strengthen, and there were widespread gains among the interest rate-orientated stocks. Across the broader range, the market continued to take potentially upsetting company results in its stride, with analysts pointing out that the bad news from the financial sector, which has dominated this week, had been fully expected.

Shares in Barclays Bank fell smartly on disclosure of £1.7bn write-offs last year and a warning of further substantial provisions ahead. But the rest of the UK clearing banks remained firm and apparently undismayed as the sector awaited news today on dividend plans at Midland Bank. Commercial Union brushed aside news of a £68.6m loss for the year.

The picture was, however, a little less confident among the merchant bank and securities house shares after S.G. Warburg issued a bearish trading statement and Kleinwort Benson Securities reported profits below market expectations.

Heavy turnover in Barclays, and also in BP after Wall Street opened, was reflected in an increased Seaq trading total for the day of 548.6m shares, against 511m on Tuesday. Trading in the blue chip leaders was expected to boost volume of customer, or retail, business yesterday; on Tuesday, retail business in equities totalled £970.8m, a return towards the improved business levels of the previous week.

Some equity strategists expressed surprise at the resilience of the stock market yesterday, commenting that a half point cut in base rates must now be fully discounted in share prices.

While the market may have been fully braced for this week's bad news from the financial sectors, there could still be shocks ahead as Britain's industrial companies report trading progress. The first test could come today when ICI and British Gas report. With Midland Bank's dividend decision also likely to provide a test of investment confidence, market analysts were wary of sounding over confident last night.

FINANCIAL TIMES STOCK INDICES

	Feb 26	Feb 25	Feb 24	Feb 21	Feb 20	Year Ago	1991/92 High	1991/92 Low	Since Compilation High	Since Compilation Low
Government Secs	88.49	88.31	88.19	88.21	88.37	85.39	88.49 (26/2/92)	82.17 (2/1/91)	127.40 (9/1/35)	49.18 (9/1/75)
Fixed Interest	101.45	101.33	101.17	101.21	101.40	93.56	101.56 (19/2/92)	90.59 (2/1/91)	105.40 (28/11/47)	50.53 (3/1/75)
Ordinary Share●	2002.9	1989.8	1999.7	1982.9	1989.4	1877.8	2108.3 (2/9/91)	1606.3 (16/1/91)	2108.3 (2/9/91)	49.4 (26/6/40)
Gold Mines	128.7	129.8	128.5	130.8	136.8	134.4	222.8 (11/7/91)	127.0 (22/2/91)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2565.0	2546.8	2559.7	2542.3	2543.4	2348.0	2679.6 (2/9/91)	2054.8 (16/1/91)	2679.6 (2/9/91)	986.9 (23/7/84)
FT-SE Eurotrack 200	1194.70	1185.41	1192.22	1182.66	1179.07	1063.75	1198.60 (3/9/91)	938.62 (16/1/91)	1198.60 (3/9/91)	938.62 (16/1/91)
●Ord. Div. Yield	4.61	4.63	4.60	4.63	4.61	5.14				
●Earning Yld %(full)	6.66	6.67	6.63	6.68	6.65	10.72				
●P/E Ratio(Net)(*)	18.77	18.75	18.88	18.73	18.82	11.28				
SEAQ Bargns 5.00pm	28,639	28,406	28,078	36,143	32,671	31,226				
Equity Turnover(£m)†	-	970.8	862.5	1108.9	1,305.5	1089.36				
Equity Bargains†	-	32,780	27,893	30,617	32,702	31,513				
Shares Traded (ml)†	-	445.4	352.4	462.7	560.8	494.9				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83 & FT-SE Eurotrack 200 26/10/90. ☆ Nil 17.70

Ordinary Share Index, Hourly changes Day's High 2005.8 Day's Low 1981.3

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1991.3	1996.4	1999.4	2000.4	1997.7	1996.8	1999.1	2001.3	2003.4

FT-SE 100, Hourly changes Day's High 2571.1 Day's Low 2548.2

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2548.3	2553.8	2555.5	2558.5	2554.2	2555.3	2557.4	2561.5	2567.5

FT-SE Eurotrack 200, Hourly changes Day's High 1194.70 Day's Low 1188.24

Open	10 am	11 am	12 pm	1 pm	2 pm	3 pm
1188.38	1188.50	1189.89	1188.58	1189.74	1191.36	1193.67

GILT EDGED ACTIVITY

Indices*	Feb 25	Feb 24
Gilt Edged Bargains	134.8	153.8
5 - Day average	114.6	106.4

*SE Activity 1974.
†Excluding intra-market business and Overseas turnover.

London report and latest Share Index: Tel. 0891 123001. Calls charged at 36p/minute cheap rate, 48p/minute at all other times.

Barclays under pressure

FINAL results from Barclays yesterday pulled the stock back sharply in an otherwise firm banking sector. The market was particularly disappointed with the growth in costs at Barclays and the level of losses at the US operations.

Provisions in the second half grew by 37 per cent in the UK and 34 per cent in the US. Lehman Brothers analyst Mr Robert Law said: "This must increase the likelihood that the provision figure is likely to remain high." The shares fell 20 to 374p in very heavy turnover of 18m.

In the light of the results, Lehman is looking for £700m this year (down £200m), and £1.2bn in 1993, while Nomura is on £692m and £1.214bn and County NatWest £640m and £1.1bn.

Lloyds Bank and *Abbey National* were again the focus of attention as recent buy notes on the former and continued sentiment on the latter sent the shares higher. Lloyds added 3 at 412p and Abbey 8 at 305p. National Westminster Bank continued to find favour after its well-received results on Monday, the shares rising 4 to 312p. Midland Bank, which reports today, gained 5 to 239p.

US boosts BP

The marked difference between London and New York in views on BP's prospects, obvious for more than a week, was reinforced yesterday as analysts in the City of London expressed *grave reservations* regarding Wall Street's continued support for the stock. BP shares attracted heavy US buying in late dealings in London yesterday.

Following an analysts meeting in New York, at which BP gave reassurances about the dividend, Mr Todd Bergman of Goldman Sachs repeated his buy recommendation. But this view that BP shares are now cheap and that the dividend is safe contrasts sharply with opinions in London.

When BP failed to raise its quarterly dividend earlier this month, analysts in London questioned whether the total payout for the year could be held against the background of *falling crude oil prices*. Nevertheless, after Goldman maintained its earnings estimate of \$4.25 per BP American Depositary Receipt, which is at the top end of Wall Street estimates, the shares found fresh support. In London the stock closed 5¼ higher at 264½p, rebounding from a low of 256p touched before the US market opened. Turnover was a hefty 34m shares.

Glaxo reverse

The announcement late in the session that Denmark's Office of Fair Trading was asking the European Commission to investigate Glaxo on suspicion of abusing a dominant market position knocked the share price.

The pharmaceuticals company had been up 14p at one stage but the news that the prices of three new Glaxo medicines for asthma and migraine were causing concern among Danish health authorities sent the shares back to close only a penny up at 794p. They also fell in New York, where they are traded as American Depositary Receipts, in active trading. The ADRs were down by \$¼ on turnover of more than 2.5m (the equivalent of 5m shares) in early trading.

Pharmaceuticals analyst Mr Didier Cowling of Nomura Research said yesterday: "If Denmark manages to convince the EC, Glaxo could have a problem."

Lonrho upset

Expectations of a disappointing annual report from Lonrho, and belief that the trading conglomerate may terminate its UK Audi/Volkswagen franchise, prompted traders to mark down the price of the shares at the start of dealing yesterday.

Then, when the annual report fulfilled the market's financial concern by disclosing that the poor preliminary figures had been boosted by a £33m asset sale, the shares fell further. They closed 9 down at 121p, contrasting with a strong stock market, on turnover of 9.3m shares, or about twice average daily volume. The stock has lost more than 100p since November.

Warburg warns

Shares in merchant bank S.G. Warburg fell steeply as the group issued a trading statement which warned that profits for the second half of the year would be below those of the first half.

However, the group said pre-tax profits would be above the level of the same period last year – putting the figure at between £155m and £178m for the year. This was only slightly below most analysts' forecasts, and many felt that the drop of 36 to 538p was overdone.

Kleinwort Benson produced results at the lower end of analysts' ranges and retreated 11 to 265p.

Property shares were again weak as two brokers issued gloomy reports on the sector. County NatWest said gearing in the sector had risen from 53 per cent to 78 per cent over the year, and that any prospect of a revival was being stifled by indecision prior to the general election.

UBS Phillips & Drew also found little to be optimistic about, and recommended a move out of Great Portland Estates, off 4 at 156p, Brixton Estates, down 3 at 155p, and Land Securities, 1 off at 439p.

Saatchi & Saatchi was active, with turnover of more than 31m boosted by two large blocks of shares placed at 16p in late trading. The stock closed steady at 16¾p.

SmithKline Beecham was held back by analysts' downgradings following the announcement of full-year figures on Tuesday. S.G. Warburg cut its 1992 profits estimate by £15m to £1.115bn and Nomura reduced its earnings growth forecast for the company from 15 per cent by at least 1 percentage point. The shares gained only 2 to 917p, although the units rose 30 to 4210p.

Strong US buying of electricity generators left National Power 5½ higher at 220p and PowerGen ahead 8¼ at 232p.

Vodafone advanced 8 to 364p in busy turnover of 5.9m after a series of presentations to US institutions.

Electronics group Unitech surged 17 *to 225p* as speculation mounted over the next move by its two large Swiss shareholders, which on Monday announced that takeover talks had broken down.

Oil company Lasmo fell to 196p on news that Smith New Court had placed a line of 4m shares with various institutions, but closed only 2 down at 199p. Shell followed BP higher, rising 5 to 447p.

Grand Metropolitan lost 15 to 932p as analysts cut profit forecasts. Kleinwort Benson lowered its estimate to £398m from £472m for the first half of this year, and UBS Phillips & Drew revised to £377m from £413m.

Switching within the food sector boosted Ranks Hovis McDougall and United Biscuits but hit Northern Foods, as investors looked for shares which have lagged the market in what is regarded as a safe haven sector at a time of political uncertainty. Ranks Hovis climbed 8¼ to 214¼p and United Biscuits 8 to 416p, as Northern Foods lost 8 to 560p.

Retailer and drugs manufacturer Macarthy rose 17 to 316p after the Monopolies and Mergers Commission cleared rival bids for the company from UniChem and Lloyds Chemists.

If Lloyds, the main contender, uses the same terms as before – one Lloyds share plus 21p – its offer would be worth about 360p a share. It shed 5 to 340p.

Wholesaler UniChem firmed 2 to 203p. It is expected to wait and see what decision Lloyds takes. Also, in December it announced that it had bought pharmaceutical chain E. Moss for £27m and it may be hesitant to return to the acquisition trail so soon.

A presentation to institutions by merchant bank Kleinwort Benson on the hotel sector left Queens Moat Houses ahead 3¼ at 82p. Turnover was a heavy 10m.

Glynwed International eased a penny to 210p. Panmure Gordon *issued a sell note*.

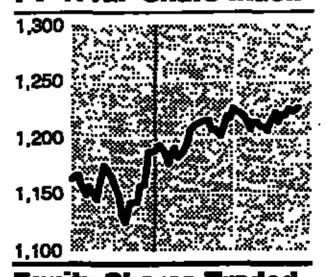
Nervousness ahead of today's figures sent Williams Holdings down 4 to 325p.

MARKET REPORTERS:
Christopher Price,
Colin Millham,
Joel Kibazo, Peter John.

■ Other market statistics, including the FT-Actuaries Share Indices and London Traded Options, Page 23.

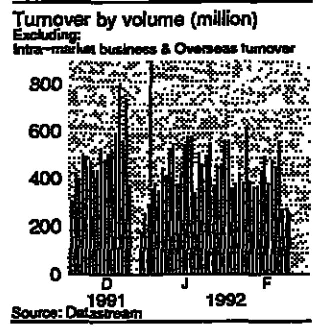
Page 23.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)
Excluding:
Intra-market business & Overseas turnover



Source: Datastream

NEW HIGHS AND LOWS FOR 1991/92

NEW HIGHS (118).
BRITISH FUNDS (27) Tr. 9pc '92-96, Tr. 8¾pc 1997, Ex. 9¾pc 1998, Tr. 6¾pc '95-98, Ex. 12pc 1998, Tr. 9½pc 1999, Ex. 12¼pc 1999, Tr. 10½pc 1999, Cv. 10¼pc 1999, Cv. 9pc 2000, Tr. 13pc 2000, Tr. 10pc 2003, Fd. 3½pc '99-04, Cv. 9½pc 2004, Do. A. Cv. 9½pc 2005, Tr. 11¾pc '03-07, Tr. 8½pc 2007, Do. A. Tr 9pc 2008, Tr. 8pc 2009, Cv. 9pc 2011, Tr 9pc 2012, Tr. 5½pc '08-12, Tr. 7¾pc '12-15, Ex. 12pc '13-17, Tr. 2pc IL 1996, OTHER FIXED INTEREST (3) African Dev. 11¼pc 2010, Asian Dev. 10¼pc 2009, Inter-Amer. Dev. 9¾pc 2015, AMERICANS (2) Amdahl, Dial, BANKS (4) Deutsche, HSBC, Lloyds, Standard Chartd., BREWERS & DISTILLERS (5) Bass, Boddington, Greene King, Holt (J), Mansfield, BUILDING MATERIALS (2) Hepworth, Rugby, BUSINESS SERVICES (2) Barbour Index, Johnson Cleaners, CHEMICALS (2) Br. Vita, Schering, CONGLOMERATES (2) Bodycote, Jardine Hdg., CONTRACTING & CONSTRUCTION (2) Maunders (J), Smart (J), ELECTRICALS (1) Volex, ELECTRICITY (1) Yorkshire, ELECTRONICS (4) ACT, Macro 4, Micro Focus, Sage, ENGINEERING GENERAL (4) Bristol Channel Ship, Fairey, Halma, Mining & Allied Sup., FOOD MANUFACTURING (2) Cadburys, Dalepak, FOOD RETAILING (5) ACT, Brake Bros., Morrison (Wm), Sainsbury (J), Thorntons, HEALTH & HOUSEHOLD (3) Community Hospitals, Macarthy, Mayborn, INSURANCE BROKERS (1) Berry Birch & N., INVESTMENT TRUSTS (14) Br. Assets 8pc Cv. 1995, China & Eastern, Drayton Recovery Prfd. Growth, Fidelity Euro. Values Wrrnts., Gen Cons. Stppd. Prf., Henderson Strata, Kleinwort High Inc. Zero Prf., Manakin, Mexico Fund, Pacific Assets, Do. Wrrnts., River & Merc. Stppd. Prf., Sth. America Fund, TR Tech. Zero Prf., MEDIA (6) Abbott Mead V., Central ITV, Daily Mail A, Gold Greenlees Trott, Harrington Kilbride, Pearson, MISCELLANEOUS (1) Lionheart, OTHER FINANCIAL (4) Jardine Strategic, Lon. Forfaiting, Pokphand (CP), Swire Pacific A, OTHER INDUSTRIAL MATERIALS (2) Tomkins, Vinten, PACKAGING, PAPER & PRINTING (4) Bowater, Do. 7.75pc Prf., Br. Polythene, De La Rue, PROPERTY (1) HK Land, STORES (5) Betterware, Fine Art Dev., Lloyds Chemists, Do. 7.5p Prf., Oriflame, TELEPHONE NETWORKS (1) HK Telecom., TEXTILES (4) Claremont Grmts., Courtaulds, French (Th), Usher (F), TRANSPORT (1) Br. Airways.

NEW LOWS (27).
AMERICANS (1) Pennzoil, CONGLOMERATES (1) Chillington, ELECTRONICS (2) ISA, P-E, HEALTH & HOUSEHOLD (1) Hospital Corp., HOTELS & LEISURE (2) Queens Moat Hses 7½pc Prf., Ryan, INSURANCE BROKERS (1) Sturge, INVESTMENT TRUSTS (1) Gartmore Scot. Cap., MEDIA (1) Aegis 9¾pc Prf., MISCELLANEOUS (1) Brandon Hire, OIL & GAS (4) Aviva Petrlm., Brabant Res., Calor, Clyde Petrlm., OTHER FINANCIAL (2) Bridgend, Lon. Finance, OTHER INDUSTRIAL MATERIALS (1) OMI, PROPERTY (6) Derwent Valley, Hammerson A, High-Point, MEPC, Slough Ests., Do. 8¼pc Prf., STORES (2) French Connection, Mallett, MINES (1) Anglesey.

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change
ADT	52	440	+20	Cookson	978	118		Lucas	1,000	118		Shell Transport	4,100	448	+6
ASDA Group	11,000	40¼	+1½	Courtaulds	1,100	541	+6	MB Caradon	113	272	+3	Siebe	283	580	+3
Abbey National	1,900	305	+8	Dalgety	427	387	+2	MEPC	1,300	342	-6	Slough Ests	1,000	200	-3
Albert Fisher	6,100	62	+3	De La Rue	208	580	+8	Maxwell	345	313	+2	Smith (W.H.) A	781	479	+2
Allied-Lyons	913	633	+1	Dixons	709	238	+2	Marks & Spencer	1,400	315	+4	Smith & Nephew	447	153	
Amstrad	843	30		ECC Group	3,400	507	-1	Midland Bank	2,800	239	+5	SmKl Beecham	3,900	917	+2
Anglian Water	530	372	+6	Eastern Elect.	1,900	253	+5	Midlands Elect.	1,000	276	+8	SmKl Beecham Uts.	436	4210	+30
Argos	1,700	289	+7	East Midland Elect.	1,800	264	+4	NFC	1,100	234	+2	Smiths Inds	247	266	-1
Argyll Group	3,000	339½	+7½	Enterprise Oil	583	398	-1	NatWest Bank	13,000	312	+4	Southern Elect.	477	277	
Arjo Wiggins	1,300	242	-2	Eurotunnel Units	1,300	459	+10	National Power	1,600	220	+5½	South Wales Elect.	389	329	+7
Ass. Brit. Foods	533	432	-2	FKI	711	61	-1	Next	1,400	89		South West Water	307	382	+8
[illegible]															
BP	36,000	264½	+5½	ICI	1,000	1307	-7	Rolls Royce	1,500	144	+1	Utd. Newspapers	975	373	+2
British Steel	1,800	73	+1	Inchcape	411	437	+2	Rothmans	369	1092	+7	Vodafone	5,800	364	+8
British Telecom	2,100	333½	+3	Kingfisher	676	547	+11	Ryl Bk Scotland	2,700	181		Warburg (SG)	1,800	538	-36
Br. Telecom New	10,000	121½	+2	Kwik Save	1,000	573	+15	Royal Insurance	2,100	228	+4	Wellcome	515	1116	+10
Bunzl	19	82		Ladbroke	1,900	232		Saatchi	31,000	16¾		Welsh Water	204	395	+10
Burmah Castrol	1,100	520	+5	Land Securities	808	439	-1	Sainsbury	2,000	397	+5½	Wessex Water	76	419	+7
Burton	3,200	38	+½	Laporte	316	606	+1	Scottish & New.	546	451	+3	Whitbread 'A'	1,200	458	+8
Cable & Wire.	603	593		Legal & General	825	375	+4	Scot. Hydro-Elect	1,800	104½	+1½	Williams Hldgs	887	325	-4
Cadbury Schweppes	483	474	+2	Lloyds Abbey	1,000	381	+1	Scottish Power	2,100	103	+2½	Willis Corroon	1,500	243	+2
Calor Group	87	185	-3	Lloyds Bank	3,000	412	+3	Sears	1,100	104	+1	Wimpey	1,800	128	+6
Carlton Comms	1,500	549		LASMO	8,400	199	-2	Sedgwick	1,100	215	+3	Wolseley	145	435	+8
Coats Viyella	1,300	185	+1	London Elect.	1,000	276	+1	Seaboard	804	271	+6	Yorkshire Elect.	352	325	+5
Comm. Union	2,200	465	+10	Lonrho	8,800	121	-9	Severn Trent Water	508	345	+6	Yorkshire Water	458	393	+10

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system on Tuesday until 4.30pm. Trades of one million or more are rounded down.

EQUITY FUTURES AND OPTIONS TRADING

TURNOVER in stock index *futures fell sharply as leading* securities houses remained on the sidelines for most of the session with little in the way of economic features on which to focus, writes Joel Kibazo.

Trading in the March contract opened at 2,566 which proved to be the low of the day, with sizeable two-way business conducted mainly by independent dealers.

Light selling was seen mid-session, but the positive showing on *Wall Street following a* slow start, boosted by slightly better than anticipated US durable goods figures for January, generated buying interest for March from a number of leading securities houses.

This developed into a squeeze late in the session sending the contract forward to reach 2,587, the high of the day, before light selling in the dying minutes saw it relinquish some of the gains.

Turnover reached a poor 3,365 contracts with March ending at 2,584, some 7 points above its estimated fair value premium to cash of about 6.

Dealers reported a more lively session in traded options where turnover rose to 30,827 lots. Barclays which released figures yesterday was the busiest stock option, trading 1,869 contracts with the September 360 calls particularly busy.

LONDON SHARE SERVICE

BRITISH FUNDS

	Notes	Price £	+ or -	1991/92 high	1991/92 low	Yield Int.	Yield Red.
"Shorts" (Lives up to Five Years)							
2pc IL 1992‡‡		136¼xd	—	136⅛	125⅞	—	—
8pc 1992 ‡‡		99⅞	—	99⅞	95⅞	8.03	9.63
10½pc Cv 1992‡‡		100¼	—	100⅞	98½	10.49	9.50
3pc 1992		98⅞	—	98⅞	91⅞	3.05	
Exch 12¼pc 1992		101⅞xd	—	102⅞	100⅝	12.11	
13½pc 1992		102⅞xd	—	104⅛	101⅞	13.23	
Treas 8¼pc 1993		98⅞	—	98⅞	94	8.34	
10pc 1993‡‡		100½	—	100¾	97⅞	9.85	
12½pc 1993‡‡		103¾	—	104¾	102⅞	12.05	
Funding 6pc 1993‡‡		95⅞xd	—	95⅞	89⅝	6.29	
Treas 13¾pc 1993‡‡		106⅞	—	108⅞	105⅝	12.98	
8½pc 1994		98⅞	+⅛	98½	92⅞	8.63	
14½pc 1994‡‡		109⅞xd	—	111⅞	108⅞	13.32	
Exch 13½pc 1994		107½	—	109	105⅞	12.58	
[illegible]							
9pc 1992-96‡‡		99⅞xd	+⅛				
15¼pc 1996‡‡		118¾	+⅛				
Exch 13¼pc 1996‡‡		112⅞	+⅛				
Conversion 10pc 1996		102⅞	+⅛				
Five to Fifteen Years							
Treas 13¼pc 1997‡‡		114⅛	+⅛				
Exch 10½pc 1997		104⅜	+⅛				
Treas 8¾pc 1997‡‡		97⅞xd	+⅛				
Exch 15pc 1997		122⅝	+⅛				
9¾pc 1998		101¾	+⅛				
Treas 6¾pc 1995-98‡‡		99	+⅛				
15½pc '98‡‡		128½xd	+⅛				
Exch 12pc 1998		112⅝	+⅛				

BRITISH FUNDS - Cont.

	Notes	Price £	+ or -	1991/92 high	1991/92 low	Yield Int.	Yield Red.
Treas 9½pc 1999‡‡		101½	+⅛	101½	92⅞	9.38	9.17
Exch 12¼pc 1999		114⅛xd	+¼	114⅛	105⅞	10.73	9.45
Treas 10½pc 1999		105⅞	+⅛	105⅞	97⅞	9.92	9.35
[illegible]							

BRITISH FUNDS - Cont.

	Notes	Price £	+ or -	1991/92 high	1991/92 low	Yield Int.	Yield Red.
Index-Linked	(b)					(1)	(2)
Treas. 2pc '94	(102.9)	124¾	+⅛	124⅞	115⅞	2.11	3.30
[illegible]							

OTHER FIXED INTEREST

[illegible]

APPOINTMENTS

Mining potential at Telecom Eireann

Brendan Hynes, executive *chairman of Glencar Explorations*, the Dublin-listed mining company, has taken up his assignment as the new chairman of the state-owned Irish telephone company, Telecom Eireann.

He replaces Michael Smurfit, flamboyant businessman and prominent one-time Charles Haughey crony, who became embroiled in the wave of scandals that contributed to the toppling of the Irish premier. Smurfit resigned last September *from* the chairmanship of Telecom after controversy surrounding his interests in a property deal for the company's new headquarters the *previous year*.

Hynes says the new job is "part-time", thus enabling him to continue at Glencar. While he emphasises that Smurfit bequeathed him a well-run organisation, he forecasts that he will not be idle in coming months – *he will be tackling* a number of areas, notably the current cost structure. "A lot is going to happen in the next 12 months – and I'm not talking about privatisation," he asserts.

In recent years Telecom has conducted an I£2bn modernisation of "an extremely antiquated system" and Hynes therefore considers the company particularly well-placed to capitalise on eastern European developments. It already has a contract advising Hungary's tecommunications company, a project that may lead to equity investment, and Hynes says he also has his eye on Poland and Czechoslovakia.

Although Hynes has spent much of his career in specialised mining and exploration companies, including as chief executive of Tara Mines before moving to Glencar three years ago, he was until 1974 personal assistant to Peter Grace, chairman and chief executive of the US multinational W R Grace.

■ Philip Cushing is appointed to the main INCHCAPE board with responsibility for Buying, Shipping and Testing Services. *Reg Heath, chief executive of* TKM, joins the board on completion of Inchcape's acquisition of TKM.

■ Richard Wooldridge has become editorial director of WESTMINSTER PRESS. His former position of md of York & County Press is taken by Vernon Lester, previously md of Echo Newspapers in Basildon and Deptford. Steve Oram, most recently md of Times and Observer Newspapers in Watford, replaces Lester. Stephen Hill moves from parent company Pearson to take over from Oram.

■ Mark Forbes, formerly financial director of Granada computer services, has been appointed finance director of TULIP International's bacon division based at Thetford.

■ Martin Angle, formerly an md at Morgan Stanley, has joined KLEINWORT BENSON as a director, corporate finance.

■ *Montague Burkeman* is retiring as chairman and joint md of HELENE, but remains deputy chairman. Jack Nunes Vaz, Harold Lee and Pat Perkins are also retiring from the board, although Perkins remains as md of Harold Lee (Harles). *Norman Fetterman*, previously chairman of Barham Group, becomes md and Ian Forsyth, formerly md of Barham Group, becomes finance director.

Departures

■ Peter McNally, group finance director of LWT, will retire in March 1993 and not 1992 as reported yesterday.

■ John St Lawrence is retiring from RECKITT & COLMAN but remains a non-executive until the *end of May*.

■ John Cearns, a non-executive director of SOUTHEND PROPERTY HOLDINGS, died on February 8.

■ Robert Paine has resigned from TILBURY DOUGLAS.

■ Ill health has caused *Nicholas Roditi to resign from* ST JAMES'S PLACE CAPITAL.

■ David Allison, company secretary since 1984 of CHRISTIES INTERNATIONAL, died on February 25.

More finance directors at Grand Metropolitan

Grand Metropolitan, the drinks, food and retailing group, is to strengthen its financial controls with the appointment of two deputy group *finance directors*.

David Defty, present finance director of International Distillers and Vintners (IDV), GrandMet's drinks sector, will be responsible for all group funding, treasury and tax matters. The group treasurer and *director of group* taxation will report to him.

Bob Lowes, present executive vice-president and chief financial officer of the group's food and international retailing operations, based in Minneapolis, will be responsible for financial accounting, planning, control and internal audit.

Both Defty and Lowes will be based at GrandMet's London headquarters and will report to David Nash, group finance director.

Chester Evans, senior vice-president and chief financial officer at IDV North America, in Hartford, Connecticut, will succeed Defty as finance director of IDV, reporting to George Bull, IDV chairman, based in London.

LONDON SHARE SERVICE

AMERICANS

Notes	Price £	+ or -	1991/92 high	low	Mkt Cap £m	Yld Gr's
Abbott Labs	36xd	—	36⅝	20⅞	15,208	1.9
♥Allegheny & W.	315p	+7	385p	218p	163.7	5.4
Amdahl	1096pxd	+8	1696p	667p	1,216	0.5
Amer Cyanamid	35	-½	42⅛	25¾	3,263	2.4
Amer Express	12⅛xd	-⅛	17⅞	9[illegible]	5,703	4.7
Amer T & T	21[illegible]xd	-⅛	24½	15¼	27,[illegible]	3.5
Ameritech	34½	-¼	35⅞	32½	15,165	5.5
BankAmerica	24[illegible]xd	—	25[illegible]	12[illegible]	5,312	3.0
Bankers NY	36¼xd	-⅛	38[illegible]	20[illegible]	2,978	7.9
Bell Atlantic	25¼xd	-¼	30½	24¼	9,930	5.6
BellSouth	28¾	-¼	31¼	25	12,874	5.8
♥Bethlehem Steel	8[illegible]xd	-[illegible]	11¾	6[illegible]	662.2	—
Bowater	1518p	-14	1830p	1042p	546.3	4.5
CPC	45⅞xd	+½	54[illegible]	37[illegible]	3,543	2.6
California Engy	730p	+15	930p	420p	132.9	—
Campbell Soup h	21[illegible]	+[illegible]	25	14⅛	8,428	1.8
Chase Manhattan	13[illegible]xd	-⅛	14[illegible]	5[illegible]	1,678	4.9
Chrysler	9[illegible]xd	-⅛	10⅛	5⅛	2,758	3.6
Citicorp	9⅞xd	+[illegible]	16¾	4⅝	3,302	—
Colgate-Palm	27[illegible]xd	+[illegible]	27⅝	21[illegible]	3,998	2.2
Cont'l Bank	917p	-28	948p	438p	926.7	3.7
Dana	19¾xd	-⅛	21⅝	13⅝	611.8	4.6
Data General	666p	-13	1282p	303p	169.8	—
Dial	25[illegible]xd	+[illegible]	28[illegible]	12⅞	1,129	2.8
Dun & Brad	31½	—	32	20¾	3,621	3.9
Eaton	41⅜	-⅛	41½	24¼	1,488	3.0
Echlin	9⅛xd	—	9[illegible]	5½	505.6	4.3
FPL	19⅛xd	+[illegible]	20⅛	14[illegible]	3,241	7.1
Fluor	24⅝xd	-⅝	30[illegible]	17[illegible]	1,967	0.9
Ford Motor	29½xd	-[illegible]	23¼	13	9,784	2.8
Gen Elect	45⅝xd	-⅛	46[illegible]	28[illegible]	39,536	2.8
♥General Host	484p	—	566p	270p	—	4.1
Gillette	27[illegible]xd	+[illegible]	45¾	20⅞	6,108	1.2
Hasbro	21	+⅛	24	7[illegible]	1,284	0.5
Honeywell	41[illegible]xd	-[illegible]	42[illegible]	21¾	2,849	2.2
Houston Inds	23¼	+⅛	24¾	17⅞	2,987	7.2
IBM	59¾xd	-⅝	72[illegible]	46	20,038	5.4
Ingersoll-Rand	36[illegible]xd	-[illegible]	37½	18[illegible]	1,895	2.0
Lockheed	25xd	-⅛	28¼	16⅞	1,582	4.5
[illegible]						

BUILDING MATERIALS - Cont.

Notes	Price	+ or -	1991/92 high	low	Mkt Cap £m	Yld Gr's	P/E
■RMC †	589	+7	[illegible]				
‡Ramus	64	—					
■Redland H	467	+4					
Roskel	64	—					
■Rugby	213	+6					
Russell (A)	87	—					
‡SWP	7½	—					
‡Sandell ‡	30	—					
St Gobain FFr	£93½	—					
Sharpe & Fisher	98	+6					
‡Shaw (A)	57	—					
Sheffield Insuls	78	—					
■Spring Ram †h	150	—					
■Stanwin H	13½	—					
■Steetley	383	+1					
■Tarmac	118	-2					
‡Titon	116	—					
■Travis Perkins	218	—					
‡Tudor ‡	33	—					
Ward Group ‡	72	—					
■Wickes	81	—					
■Wilshaw	11¼	—					
■Wolseley	435	+6					
Worcester †	146	+1					

BUSINESS SERVICES

Notes	Price	+ or -	1991/92 high	low	Mkt Cap £m	Yld Gr's	P/E
■ADT $	448	+20	[illegible]				
AFP	27	+1					
‡ASB Group	6	—					
‡ATA Select	13	—					
‡ATP Comms	9½	—					
Adam & Harvey W	348	—					
‡Air London	126	—					
African Lakes	81	-1					
‡Assoc Energy	4[illegible]	—					
■Auto'ted Sec †	123	+½					
[illegible]							

CANADIANS

[illegible]

BANKS

[illegible]

BREWERS & DISTILLERS

[illegible]

BUILDING MATERIALS

[illegible]

CHEMICALS

[illegible]

CONGLOMERATES

[illegible]

CONTRACTING & CONSTRUCTION

[illegible]

CONTRACTING & CONSTRUCTION - Cont.

[illegible]

ELECTRICALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONICS

[illegible]

ENGINEERING AEROSPACE

[illegible]

ENGINEERING GENERAL

[illegible]

ENGINEERING—GENERAL - Cont.

[illegible]

FOOD MANUFACTURING

[illegible]

FOOD RETAILING

[illegible]

HEALTH & HOUSEHOLD

[illegible]

HOTELS & LEISURE

[illegible]

INSURANCE BROKERS

[illegible]

INSURANCE COMPOSITE

[illegible]

INSURANCE LIFE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

[illegible]

MEDIA

[illegible]

MERCHANT BANKS

[illegible]

MERCHANT BANKS - Cont.

[illegible]

METALS & METAL FORMING

[illegible]

MISCELLANEOUS

[illegible]

MOTORS

[illegible]

OIL & GAS

[illegible]

OIL & GAS - Cont.

[illegible]

OTHER FINANCIAL

[illegible]

OTHER INDUSTRIAL MATERIALS

[illegible]

PACKAGING, PAPER & PRINTING

[illegible]

PACKAGING, PAPER & PRINTING - Cont.

[illegible]

PROPERTY

[illegible]

TRANSPORT

[illegible]

WATER

[illegible]

STORES

[illegible]

STORES - Cont.

[illegible]

TELEPHONE NETWORKS

[illegible]

TEXTILES

[illegible]

SOUTH AFRICANS

[illegible]

PLANTATIONS

[illegible]

MINES

[illegible]

MINES - Cont.

[illegible]

‡‡Ivernia West I£	45	−1	61	30	14.3	−
‡‡Kells Mins I£	35	—	46	32	8.85	−
✣Kenmare	6½	—	25	3½	5.28	−
‡‡Navan Res I£	28	—	28	15	3.48	−
Northgate Expl C$ s	45½	+1	59	39	8.74	−
North West Expl A$	2	—	16	2	0.67	−
Oryx Gold $	79	−10½	188	79	−	−
‡‡Ovoca Gold I£	18	—	23	8	0.70	−
Plateau	11	—	44	11	5.01	−
■RTZ	543	+7	665	404	5,435	4.8
✣Vizcaya	2	—	10	2	1.07	−
♥*Western & Pac C$*	12½	—	152	7	8.05	−
✣Young Grp	96#	—	135	96	14.4	7.2

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- ■ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ), and non-UK stocks which are quoted on SEAQ International
- ● "Tap Stock"
- * *Highs and lows marked thus have been adjusted to allow for rights issues for cash*
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ✦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ✣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially UK listed; dealings permitted under Rule 535(2)
- \# Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield, p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend. b Figures based on prospectus or other official estimates. c Cents. f Flat yield. g Assumed dividend yield after rights issue. h Assumed dividend yield after scrip issue. n Rights issue pending. q Earnings based on preliminary figures. s Dividend yield excludes a special payment. t Indicated dividend yield, p/e ratio based on latest annual earnings. u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings. v Subject to local tax. z Dividend yield includes a special payment. E Minimum tender price. F Yield based on prospectus or other official estimates for 1990-91. G Assumed yield after pending scrip and/or rights issue. H Yield based on prospectus or other official estimates for 1991. K Yield based on prospectus or other official estimates for 1992-93. L Estimated annualised yield, p/e based on latest annual earnings. M Yield based on prospectus or other official estimates for 1991-92. N Yield based on prospectus or other official estimates for 1992. P Figures based on prospectus or other official estimates for 1991. R Forecast annualised yield, p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xf ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1200 a year for each security shown, subject to the Editor's discretion

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline. Calls charged at 36p/minute cheap rate and 48p/minute at all other times. To obtain a free Unit Trust Code Booklet ring (071) 925-2128

AUTHORISED UNIT TRUSTS

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to1100 hours; (♠) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♣) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point, a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071 – 379 – 0444.

OTHER UK UNIT TRUSTS

FT MANAGED FUNDS SERVICE

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	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Standard Life Tst Mgmt Ltd (0629)H						
3 George St, Edinburgh EH2 2XZ 0800 393777						
Managed Acc	5¼	36.93	36.93	38.82	-0.1	2.33
UK Equity Gth Acc	5¼	50.12	51.03	54.20	-0.1	1.73
UK Eq High Inc Inc	5¼	29.23	29.92	31.80		6.15
UK Eq High Inc Acc	5¼	32.86	33.65	35.76		6.15
UK Equity Gen Acc	5¼	46.21	46.93	49.87	-0.2	3.33
UK Equity Gen Inc	5¼	36.16	36.72	39.02	-0.2	3.33
UK Larger Cos Acc F	7½	308.1	311.9	338.9	-1.2	4.65
UK Larger Cos Inc F	7½	248.1	251.1	272.5	-1.0	4.65
Gilt & Fxd Int Inc	5¼	28.39	28.46	30.10		7.23
O'seas Larg Cos Acc F	7½	211.4	215.1	233.4	-1.2	2.04
Nth American Acc	5¼	36.51	36.64	38.94	-0.3	0.84
Far East Acc	5¼	39.37	40.43	42.96	-0.1	0.11
European Acc	5¼	35.51	36.88	39.19		1.57
Stewart Ivory Unit Tst Mgrs Ltd (1200)H						
45 Charlotte Sq, Edinburgh 031-226 3271						
American ♥	5	294.6	294.6	314.0	-4.3	0.72
(Accum Units) ♥	5	346.7	346.7	369.6	-5.0	0.72
British	5	797.4	812.4	859.5	+3.0	6.03
(Accum Units)	5	1320.1	1334.8	1412.2	+5.4	6.03
European	5	333.0	333.0	353.8	-0.9	1.41
(Accum Units)	5	361.0	361.0	383.5	-1.0	1.41
Japan	5	107.2	107.2	114.1	+1.1	–
(Accum Units)	5	108.1	108.1	115.0	+1.1	–
New Pacific	5	194.8	194.8	207.6	-0.4	1.65
(Accum Units)	5	200.1	200.1	213.2	-0.4	1.65
PEP Feb 20	5	148.8	150.3	159.0	-0.2	3.53
Mngd Equity	5	126.3	127.8	135.2		2.78
Mngd Equity Acc	5	134.0	135.6	143.4		2.78

OTHER UK UNIT TRUSTS

INSURANCES

	Bid Price	Offer Price	+ or -	Yield Gross
Lifetime Assurance Co Ltd				
Bank Hse, St John's Rd, Harrow HA1 2EE 081-861 5999				
Managed Security	111.0	116.9		–
Managed Growth	121.8	128.3		–
Managed Opportunity	108.9	114.7		–
Property	113.0	119.0		–
Fixed Interest	121.8	128.3		–
Cash	113.3	119.3		–
UK Equity	109.9	115.7		–
Intl Equity	120.7	127.1		–
Pension Funds				
Managed Security	112.8	118.8		–
Managed Growth	115.9	122.1		–

	Bid Price	Offer Price	+ or -	Yield Gross
NEL Britannia Assce Co Ltd				
Milton Court, Dorking, Surrey 0306 880077				
Capital Growth	131.8	138.7	-0.3	–
Managed Income	109.5	115.3	+0.4	–
Cap Gwth Ser B	114.8	120.8	-0.2	–
Mngd Income Ser B	111.8	117.7	+0.4	–
Brokar Managed				
PAM Global Growth Fd	118.2	128.3	-0.3	–
PAM Growth Fund	104.1	109.6	-0.2	–
Multichoice Investment Funds				
Managed Bldg Soc	125.8	132.4		–
Deposit	147.3	155.1	+0.1	–

Continued on next page

FT MANAGED FUNDS SERVICE

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Norwich Union Life Insurance Soc.–Contd.

Pensionvestor* & Unit-Linked Plan*

	Bid Price	Offer Price	+ or -	Yield Gross
Mixed Fund	441.2	464.4	+0.1	-
Ordinary Share Fund	660.0	694.7	+2.3	-
International Fund	173.3	182.4	-1.6	-
Property Fund	261.1	274.8	+0.3	-
Fixed Interest Fund	396.5	417.4	+0.2	-
Index-Linked Sec Fund	192.9	203.1	-1.0	-
Deposit Fund	276.0	290.5	+0.5	-
Norwich Units Feb 14	1053.70			

*Prices as at February 25

Norwich Union Pensions Management Ltd

Provident Mutual Life Assc. Assn.–Contd.

Prudential Assurance Co

Scottish Amicable

Sun Alliance Group

Wesleyan Assurance Society

Windsor Life Assur Co Ltd

Providence Capital International Ltd – Contd.

Royal Life Intl. Ltd

J. D. Ward Financial Services Ltd

OFFSHORE AND OVERSEAS

Royal Bank of Canada Funds

Sarasin Funds Mngmt (Guernsey) Ltd

OFFSHORE INSURANCES

BERMUDA (SIB RECOGNISED)

GUERNSEY (REGULATED**)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

MANAGEMENT SERVICES

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED**)

JERSEY (REGULATED**)

ISLE OF MAN (SIB RECOGNISED)

FT MANAGED FUNDS SERVICE

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	Bid Price	Offer Price	+ or -	Yield Gross
CMI Fund Managers (IoM)				
Clerical Medical Hse, Douglas, IoM 0624 625599				
High Income 5	0 4880	0 4880 0 5137	+0 002	10.18
CMI Core Portfolio Fund				
UK 5	£- 1 0198	1 0917	+0 024	-
USA 5	£- 1 0790	1 1431	+0 003	-
Japan 5	£- 0 5831	0 6159	+0 014	-
Equity & Law Intl Fund Mngrs Ltd				
Victory Hse, Prospect Hill, Douglas IoM 0624 677877				
Total Income Fd. 5	96 92	96 92 102 01	+0 04	10.2
Gartmore Fund Managers (IoM)				
PO Box 32, Douglas IoM 0624 627610				
Intl Grth. 5	497 9	497 9 531 8	+2 2	1 0 9
Leopold Joseph Fund Mngrs (IoM) Ltd				
PO Box 52 Athol St Douglas IoM 0624 661020				
L J International .. 5	95 70	95 70 103 03	-0 94	-
Mercury Fund Managers IoM Ltd				
11 Hill Street, Douglas IoM 0624 662255				
Merc IoM Fund 5	105 1	105 1 112 2	-0 2	7 4
Merc Intl Bond 5	53 93	53 93 56 68	+0 06	8 7
Sun Life Management (IoM) Ltd				
PO Box 178 Douglas, IoM 0624 622444				
Secure High Income 6	£1 0365	1 0365 1 1131	+0 0007	8 09
Unibank Scandinavian Fund Ltd				
23 Bucks Road, Douglas, IoM 06246 26484				
Scandinavia Fd 5	-	137 91 147 04	.	1 0

ISLE OF MAN (REGULATED)(**)

	Bid Price	Offer Price	+ or -	Yield Gross
CMI Fund Mngrs (IOM)				
Traders Fund Ltd H*	$17 44	18.86	-0 09	-
*Dealings Wednesday				
City Financial Admin (IoM) Ltd				
Bedrock Bonus & Warrants	63 0	75 0	+0.02	0 00
Bedrock Gold & Warrants	$1 12	1.34	+0.03	0 00
Berkeley Reserve Assets	102	102xd	-7 00	2.73

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
EBC Trust Company (Jersey) Ltd						
EBC Amro Traded Currency Fund Ltd*						
Income ...			$15 40	15 872	-0 010	4 06
Capital			$23 66	24 380	-0 020	5.50
*Offer price includes 3% prelim charge						
International Income Fund						
Eurobd.Long Term*			$33.02	34 5172	..	4.90
*Offer Price includes 3½% Initial Charge						

Equitilink International Mngt Ltd

First Aust Prime Inc Inv Co Ltd NAV Feb 20 C$12 63

First Aust Prime Inc Inv Co Ltd NAV Feb 20 US$10 67

NAV Diluted to reflect exercise of all Wrrts C$12.31 US$10 41

	Bid Price	Offer Price	+ or -	Yield Gr's
Fidelity Investment (CI) Ltd				
Sterling American.	£2 504	2 635	.	-
Fleming Group				
Robert Fleming Management (Jersey) Ltd				
Fleming Concord Fund				
European ...	£6 52	6 95	-0 01	-
Far Eastern	£4 73	5 04	+0 05	-
North American	£9 03	9 62	-0 03	0 12
Sterling Bond	101 94	108.36	+0 21	9 97
UK Growth.	288 49	306 49	-1 36	0.98
Other Fleming Funds				
Sterling Deposit.	386 90	387 30	+0 10	0 06
Global Portfolio Fd £.	£6 24	6 75	-0.03	0.55
Global Portfolio Fnd $.	$10 87	11 76	-0.16	0.55
Deutschland Inv Co NAV	DM16 08		..	-
Robert Fleming Management (Bermuda) Ltd				
Gold	$10 94	11.52	+0 01	-
Save & Prosper				
Fixed Interest Funds				
Japan Inc & Grth ..	Y2,049	2,168	+1	4.11
Equity Funds				
Insurance Manages.	$8.80	9.27	..	-

Foreign & Colonial Mngt (Jersey) Ltd

CMI Asset Management (Luxembourg) SA (u)

Commercial Union Luxembourg SA (u)

Latin American Management Co Ltd (u)

Liberty ALL-STAR World Ptfolio-Eqty Fd(u)

Lloyds Bank Luxembourg

Credit Suisse-Contd.

Daiwa Japan Gem Fund

Daiwa Japan Small Equity Fd (u)

Dean Witter World Wide Invest. Tst SA

Yamaichi Advanced Technology Fd

Yamaichi 1992 OMNI Fund SICAV (u)

SWITZERLAND (SIB RECOGNISED)

B.I.A. Bond Investments AG

OTHER OFFSHORE FUNDS

Genesis Fund Managers Ltd

Gertrust SA

Global Asset Management

North Star Fund Managers — Contd.

Northfield International Ltd

Omega Overseas Partners Ltd

JERSEY (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (REGULATED)(**)

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar fails to meet promise

THE dollar closed slightly below expectations yesterday after a volatile late session which saw it see-sawing in a 1¼ pfennig range.

Some encouraging if unexciting January figures for US durable goods early in the afternoon sent the dollar through the DM1.66 barrier to DM1.6630, but optimism waned later in the day and it slipped back to DM1.6490 at one stage. It recovered slightly to close at DM1.6635/45, compared with DM1.6350 the day before.

This was below what some traders had expected after the dollar's surprising rebound in the New York session on Tuesday in the face of disappointing US consumer confidence figures

Traders said that while the 1.5 per cent increase in US durable goods orders (and 3.6 per cent increase in non-defence orders) initially appeared encouraging it came from a low base the month before, and was tempered by the fifth successive decrease in the unfilled orders figures.

Mr David Cocker, treasury adviser at Chemical Bank, said: "The market has an underlying bullish sentiment towards the dollar, but was presented with unexciting economic figures for the second day running".

In New York, the dollar at midday was weaker than opening levels, although it stayed above DM1.6500. Earlier the dollar probed resistance above 1.66 marks then slipped lower.

The dollar stayed steady against the yen. In early Tokyo trade, it had briefly touched the Y130.00 barrier for the first time since December, but profit-taking knocked it lower to close at Y129.73. It moved in a narrow range in European trading, also touching Y130.00 before closing at 129.65.

The Australian prime minister Mr Paul Keating's blueprint for economic recovery got a mixed reception from the markets. The Australian dollar fell half a US cent amid fears that his budget might boost inflation, now at a 27-year low of 1.5 per cent, and doubts over whether forecasts for economic growth and a return to a budget surplus could be achieved. However, it later strengthened to close at A$1.3310, against A$1.3355 on Tuesday.

The market viewed the Canadian budget, announced late on Tuesday, more positively, and the Canadian dollar strengthened to C$1.1810 compared with C$1.1855.

The unexpected rebound in the dollar late on Tuesday left the DM slightly weaker against other EMS currencies.

Tuesday's 0.25 per cent cut in the Bank of Spain's intervention rate failed to knock the peseta off its pedestal in the EMS, and it remained near its ceiling against sterling. Traders said that as long as the strain between peseta and sterling existed, room for Britain to make any cut in base rates would be very limited.

Sterling opened at DM2.8820, slightly firmer than its previous close at DM2.8800. It then traded within a narrow band, rallying slightly to close at DM2.8850.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Feb 26	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Spanish Peseta	133.631	128.187	-4.07	6.11	70
Belgian Franc	42.4032	42.0835	-0.75	2.56	39
Dutch Guilder	2.31643	2.30270	-0.59	2.40	32
D-Mark	2.05586	2.04644	-0.46	2.26	33
Italian Lira	1538.24	1535.45	-0.18	1.97	12
Irish Punt	0.767417	0.767096	-0.04	1.83	5
French Franc	6.89509	6.95505	0.87	0.91	-44
Danish Krone	7.84195	7.93257	1.16	0.63	-50
Sterling	0.696904	0.709377	1.79	0.00	-35

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate. Adjustment calculated by Financial Times.

£ IN NEW YORK

Feb 26	Latest	Previous Close
£ Spot	1.7470-1.7480	1.7398-1.7408
1 month	0.93-0.92pm	0.85-0.84pm
3 months	2.56-2.54pm	2.54-2.51pm
12 months	8.32-8.25pm	8.45-8.35pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

CURRENCY MOVEMENTS

CURRENCY RATES

OTHER CURRENCIES

*Floating rate. Iran Official rate £115.40 566.95

POUND SPOT - FORWARD AGAINST THE POUND

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

EURO-CURRENCY INTEREST RATES

Long term Eurodollars: two years 5¾-5⅝ per cent; three years 6⅝-6½ per cent; four years 7⅛-6⅞ per cent; five years 7⅞-7¾ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Feb.26	£	$	DM	Yen	F Fr.	S Fr.	N Fl.	Lira	C$	B Fr.	Ecu
£	1	1.746	2.885	226.3	9.808	2.615	3.248	2165.	2.062	59.35	1.410
$	0.573	1	1.652	129.6	5.617	1.498	1.860	1240	1.181	33.99	0.808
DM	0.347	0.605	1	78.44	3.400	0.906	1.126	750.4	0.715	20.57	0.489
YEN	4.419	7.715	12.75	1000.	43.34	11.56	14.35	9567	9.112	262.3	6.231
F Fr.	1.020	1.780	2.941	230.7	10.	2.666	3.312	2207	2.102	60.51	1.438
S Fr.	0.382	0.668	1.103	86.54	3.751	1	1.242	827.9	0.789	22.70	0.539
N Fl.	0.308	0.538	0.888	69.67	3.020	0.805	1	666.6	0.635	18.27	0.434
Lira	0.462	0.806	1.333	104.5	4.530	1.208	1.500	1000.	0.952	27.41	0.651
C$	0.485	0.847	1.399	109.7	4.757	1.268	1.575	1050	1	28.78	0.684
B Fr.	1.685	2.942	4.861	381.3	16.53	4.406	5.473	3648	3.474	100.	2.376
Ecu	0.709	1.238	2.046	160.5	6.956	1.855	2.304	1535	1.462	42.09	1

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES AND OPTIONS

LONDON (LIFFE)

CHICAGO

PARIS

* Contracts traded on APT. Closing prices shown.

POUND - DOLLAR

FT FOREIGN EXCHANGE RATES

Spot 1.7460

BASE LENDING RATES

	%		%		%
CL Bank Nederland	10.5	C. Hoare & Co.	10.5	Westpac Bank Corp.	10.5
Citibank NA	10.5	Hongkong & Shanghai	10.5	Whiteaway Laidlaw	10.5
City Merchants Bank	10.5	Julian Hodge Bank	10.5	Yorkshire Bank	10.5
Clydesdale Bank	10.5	● Leopold Joseph & Sons	10.5	● Members of British Merchant Banking & Securities Houses Association.	
Co-operative Bank	10.5	Lloyds Bank	10.5		
Coutts & Co	10.5	Meghraj Bank Ltd	10.5		

MONEY MARKETS

Rate hopes recede

THE UK MONEY market was quiet yesterday as most players resigned themselves to the belief that a UK base rate cut is unlikely to come before the Budget on March 10.

Sterling interbank rates ended marginally firmer as lingering hopes of an imminent cut in base rates faded. Most traders now believe there will be a rate cut around Budget day, or just after, in the "window" before a general election is officially announced.

The March short sterling contract on the London International Financial Futures Exchange opened firmly as rate cut expectations remained intact. But it ended down four basis points on a moderate volume of trading at 89.86.

The three month interbank rate was 1/16 higher at 10⅜-10¼.

Overnight money traded at close to 11 per cent during the day in the face of a substantial liquidity shortage, but lower at 10⅞-10⅝.

The Bank of England forecast a shortage of £1bn early in the session. The main factors draining funds from the market were maturing treasury bills and assistance totalling £704m and £711m of bills for repurchase by the market. It acted early to relieve much of the shortfall, purchasing bills totalling £540m for resale to the market in equal amounts on March 17 and 18 at 10 7/16 per cent.

The shortfall was later revised downwards to £900m, while in further operations the bank bought £149m of band one bank bills outright at 10⅜ per cent and another £20m of bills for resale to the market in equal amounts on March 17 and 18 at 10 7/16 per cent.

In the afternoon, the forecast was raised once more to £1bn, and the Bank purchased a further £179m band one bills at 10⅜ per cent, and provided around £60m of late, unspecified assistance, bringing total liquidity injection for the day to £948m.

Traders saw the three-week maturity of the repurchases as another sign that interest rates are unlikely to be cut, since rates are less likely to be cut while a repo remains outstanding.

German call money rates were slightly firmer after the Bundesbank drained a net DM3.7bn from the money market in its latest round of securities repurchase operations. Traders quoted overnight rates at 9.45/55 per cent, up slightly from 9.40/50 per cent on Tuesday, but unchanged from Monday's levels.

UK clearing bank base lending rate 10.5 per cent from September 4, 1991

FT LONDON INTERBANK FIXING

(11.00 a.m. Feb.26) 3 months US dollars		6 months US Dollars	
bid 4⅛	offer 4¼	bid 4⅜	offer 4½

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

LONDON MONEY RATES

MONEY MARKET FUNDS

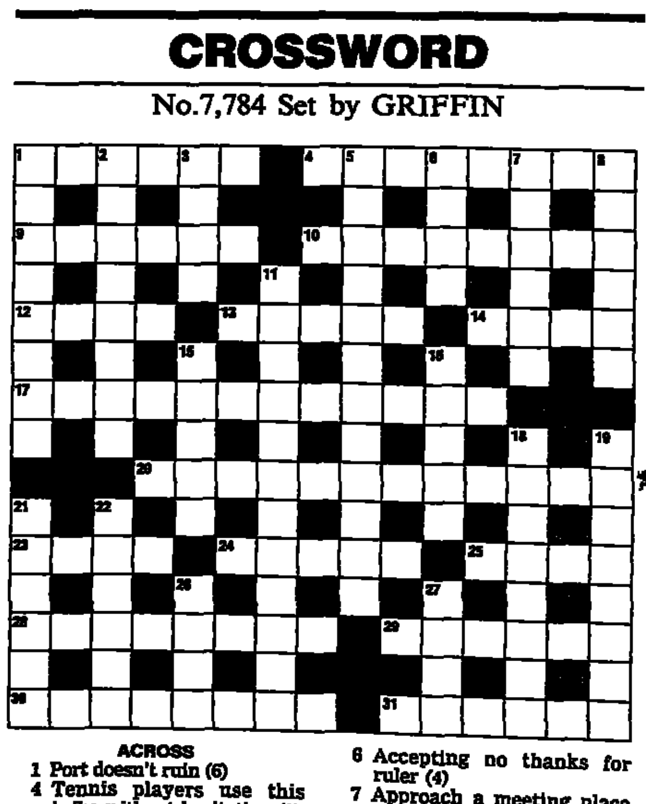
Money Market Trust Funds

Money Market Bank Accounts

JOTTER PAD

CROSSWORD

No.7,784 Set by GRIFFIN



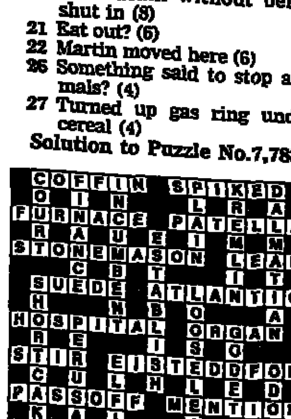
ACROSS

1 Port doesn't ruin (6)
4 Tennis players use this bribe without hesitation (8)
9 In races Bill admitting being uninjured (6)
10 Tools for joiners? (8)
12 Sling living in fruit (4)
13 Allow mine leader inside mine entrance (5)
14 Wound on to horse's tail it's attractive (4)
17 Run into a nice doctor giving something up (12)
20 Possibly belied helping debate (12)
23 North Europeans mustn't start hotels (4)
24 Specify these, not the shoddy article accepted (5)
25 Tried opening faulty moneybox (4)
28 And not the sailors from Yorkshire, for instance? (8)
29 In performing bears I find hydrophobia (6)
30 Order duck for soldier (8)
31 Made up one name in school (6)

DOWN

1 Notice one getting late? (8)
2 Model, fighting going topless, is telling tales (8)
3 Fine for standing up in church (4)
5 Scrambling past men in top jobs (12)
6 Accepting no thanks for ruler (4)
7 Approach a meeting place (6)
8 Badly rusted buffer (6)
11 Notice on cars to deter liquid being applied (12)
15 Cross after Enid bent needle (5)
16 True love always about in the fifties (5)
18 Courteous in introducing a non-military man (8)
19 Near death without being shut in (8)
21 Eat out? (6)
22 Martin moved here (6)
26 Something said to stop animals? (4)
27 Turned up gas ring under cereal (4)

Solution to Puzzle No.7,783



WORLD STOCK MARKETS

AUSTRIA — [illegible]

BELGIUM/LUXEMBOURG — [illegible]

DENMARK — [illegible]

FINLAND — [illegible]

FRANCE — [illegible]

FRANCE (continued) — [illegible]

GERMANY — [illegible]

GERMANY (continued) — [illegible]

ITALY — [illegible]

NETHERLANDS — [illegible]

NORWAY — [illegible]

SPAIN — [illegible]

SWEDEN — [illegible]

SWEDEN (continued) — [illegible]

SWITZERLAND — [illegible]

SOUTH AFRICA — [illegible]

JAPAN — [illegible]

AUSTRALIA — [illegible]

AUSTRALIA (continued) — [illegible]

HONG KONG — [illegible]

MALAYSIA — [illegible]

SINGAPORE — [illegible]

CANADA

TORONTO

3:00 pm prices February 26

Quotations in cents unless marked $

[illegible]

Total Sales 13,847,800 shares

MONTREAL

3:00 pm prices February 26

[illegible]

INDICES

NEW YORK

DOW JONES	Feb 25	Feb 24	Feb 21	Feb 20	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
♦Industrials	3257.83	3282.42	3280.19	3280.64	3282.42 (24/2)	3172.41 (2/1)	3282.42 (24/2/92)	41.22 (2/7/32)
Home Bonds	98.67	98.56	98.92	98.92	99.81 (6/2)	98.56 (24/2)	99.81 (6/2/92)	54.99 (1/10/81)
Transport	1430.12	1451.79	1466.93	1467.68	1467.68 (20/2)	1342.12 (2/1)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	204.56	203.74	204.24	206.94	225.59 (3/1)	203.74 (24/2)	236.23 (2/1/90)	10.50 (8/4/32)

♦Day's High 3293.60 (3305.01) Low 3236.74 (3253.58)

STANDARD AND POOR'S	Feb 25	Feb 24	Feb 21	Feb 20	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	410.45	412.27	411.43	413.90	420.77 (15/1)	407.38 (18/2)	420.77 (15/1/92)	4.40 (1/6/32)
Industrials	498.17	490.59	489.86	492.45	499.27 (15/1)	483.91 (18/2)	499.27 (15/1/92)	3.62 (21/6/32)
Financial	34.45	34.63	34.44	34.50	35.14 (15/1)	33.53 (31/1)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	226.68	227.62	227.46	228.60	231.85 (15/1)	225.65 (18/2)	231.85 (15/1/92)	4.46 (25/4/42)
Amex Mkt. Value	409.78	411.80	412.85	412.86	418.99 (12/2)	395.51 (2/1)	418.99 (12/2/92)	29.31 (9/12/72)
NASDAQ Composite	621.40	624.93	629.75	632.23	644.92 (12/2)	586.45 (2/1)	644.92 (12/2/92)	54.87 (31/10/72)

	Feb 21	Feb 14	Feb 7	year ago (approx.)
Dow Industrial Div. Yield	2.78	2.82	2.88	3.47

	Feb 19	Feb 12	Feb 5	year ago (approx.)
S & P Industrial div. yield	2.60	2.54	2.56	2.91
S & P Indl. P/E ratio	25.03	25.61	25.43	17.89

NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Closing price	Change on day
Saatchi	4,253,000	¾	---
Unisys	3,485,000	9½	+ ½
Glaxo	2,690,700	28½	- ⅝
Gen Motors	2,452,200	36½	- 1⅛
RJ Nabisco	2,255,800	10⅞	+ ⅛
Ph Morris	2,254,600	75⅝	+ ⅜
Adv Micro	1,946,600	19¼	+ ⅛
Chrysler	1,941,400	16⅞	- ½
Telefonos	1,882,700	55	- ½
Ford	1,846,200	35½	- 1⅜

TRADING ACTIVITY

† Volume Millions	Feb 25	Feb 24	Feb 21
New York SE	206.584	175.174	259.540
Amex	14.336	15.407	18.896
NASDAQ	194.495	172.924	246.848
NYSE			
Issues Traded	2,203	2,234	2,230
Rises	654	716	730
Falls	1,056	1,020	976
Unchanged	495	498	524
New Highs	44	74	119
New Lows	27	21	17

CANADA TORONTO	Feb 25	Feb 24	Feb 21	Feb 20	1992 HIGH	1992 LOW
Metals & Minerals	3107.15	3143.17	3132.01	3120.52	3238.87 (16/1)	2935.22 (2/1)
Composite	3544.90	3543.30	3536.60	3537.00	3666.00 (16/1)	3493.66 (2/1)
MONTREAL Portfolio	1865.08	1863.92	1856.17	1851.90	1937.59 (16/1)	1851.90 (20/2)

Base values of all indices are 100 except NYSE All Common—50; Standard and Poor's—10; and Toronto Composite and Metals—1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Feb 26	Feb 25	Feb 24	Feb 21	1992 HIGH	1992 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1638.1	1639.8	1627.0	1621.5	1675.60 (15/1)	1590.90 (7/2)
All Mining (1/1/80)	716.0	717.2	712.8	709.5	717.20 (25/2)	660.30 (2/1)
AUSTRIA						
Credit Aktien (30/12/84)	451.87	457.17	458.57	457.30	458.57 (24/2)	372.24 (2/1)
Traded Index (2/1/91)	1081.59	1094.01	1099.43	1093.69	1099.43 (24/2)	901.64 (2/1)
BELGIUM						
BEL20 (1/1/91)	1197.99	1193.64	1196.89	1182.54	1197.99 (26/2)	1097.23 (8/1)
DENMARK						
Copenhagen SE (3/1/83)	349.61	350.06	352.10	352.53	365.29 (15/1)	349.61 (26/2)
FINLAND						
HEX General (28/12/90)	912.6	923.3	935.9	928.0	935.90 (24/2)	779.00 (2/1)
FRANCE						
CAC General (31/12/82)	520.25	524.51	523.36	518.51	524.51 (25/2)	475.53 (2/1)
CAC 40 (31/12/87)	1981.31	1953.53	1976.52	1962.37	1981.31 (26/2)	1749.91 (2/1)
GERMANY						
FAZ Aktien (31/12/58)	704.29	701.69	701.98	696.66	704.29 (26/2)	643.26 (8/1)
Commerzbank (1/12/53)	1995.4	1987.8	1989.1	1973.1	1995.40 (26/2)	1813.80 (8/1)
DAX (30/12/87)	1737.27	1722.30	1729.10	1717.63	1737.27 (26/2)	1578.73 (8/1)
HONG KONG						
Hang Seng Bank (31/7/64)	4794.71	4760.20	4715.62	4736.47	4794.71 (26/2)	4301.78 (2/1)
IRELAND						
ISEQ Overall (4/1/88)	1447.63	1430.70	1433.78	1435.09	1469.57 (17/1)	1391.49 (8/1)
ITALY						
Banca Com. Ital. (1972)	542.74	545.04	540.08	536.57	551.59 (6/2)	507.43 (2/1)
MIB General (2/1/87)	1068.0	1074.0	1067.0	1059.0	1086.00 (5/2)	981.00 (2/1)
JAPAN						
Nikkei (16/5/49)	21364.77	21025.55	20973.24	21291.81	23801.18 (6/1)	20618.30 (19/2)
Tokyo SE (Topix) (4/1/68)	1552.01	1535.97	1536.82	1551.66	1763.43 (6/1)	1520.62 (19/2)
2nd Section (4/1/68)	2347.95	2336.96	2342.85	2357.49	2459.85 (6/1)	2283.71 (28/1)
MALAYSIA						
KLSE Composite (4/4/86)	603.16	602.29	610.86	615.73	619.06 (20/2)	546.63 (14/1)
NETHERLANDS						
CBS Tll.Rtn.Gen.(End 1983)	291.9	291.0	292.1	291.6	292.10 (24/2)	274.00 (8/1)
CBS All Shr (End 1983)	205.0	204.3	205.2	204.8	205.20 (24/2)	192.40 (8/1)
NORWAY						
Oslo SE (Ind) (2/1/83)	668.54	667.88	670.01	674.87	748.03 (17/1)	667.88 (25/2)
PHILIPPINES						
Manila Comp (2/1/85)	1193.48	1215.15	1188.31	1156.08	1303.30 (17/1)	1139.36 (20/2)
SINGAPORE						
SES All-Singapore (2/4/75)	398.11	399.84	403.90	406.10	416.99 (21/1)	398.11 (26/2)
SOUTH AFRICA						
JSE Gold (28/9/78)	1198.0	1214.0	1188.0	1214.0	1327.00 (21/1)	1119.00 (2/1)
JSE Industrial (28/9/78)	4362.0	4348.0	4323.0	4326.0	4535.00 (15/1)	4169.00 (2/1)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	621.42	632.07	637.73	632.91	691.48 (8/2)	604.63 (15/1)
SPAIN						
Madrid SE (30/12/85)	262.34	259.54	259.59	258.95	262.34 (26/2)	238.93 (2/1)
SWEDEN						
Affarsvarlden Gen. (1/2/37)	927.3	927.2	931.3	931.6	989.20 (20/1)	913.70 (2/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	805.0	800.0	801.7	796.4	805.00 (26/2)	748.50 (8/1)
SBC General (1/4/87)	646.0	643.3	644.0	640.2	646.00 (26/2)	601.10 (8/1)
TAIWAN**						
Weighted Price (30/6/66)	4951.50	4987.73	5070.24	4950.37	5391.63 (30/1)	4692.27 (6/1)
THAILAND						
Bangok SET (30/4/75)	799.97	810.45	813.28	797.46	816.58 (17/2)	711.81 (3/1)
WORLD						
M.S. Capital Intl.(1/1/70) ($)	511.7*	509.1	510.8	512.6	542.10 (7/1)	506.80 (19/2)
Euro Top-100 (26/6/90)	935.64	929.26	933.53	927.47	935.64 (26/2)	870.31 (2/1)

**Saturday February 22: Taiwan Weighted Price: 5074.80. Korea Comp Ex. 640.96.
§ Subject to official recalculation. *Calculated at 15.00 GMT.
Base values of all indices are 100 except: Austria Traded, BEL20, HEX Gen., MIB Gen., Euro Top-100, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE 26 Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Wednesday 26 February 1992

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Nippon Zeon	4.6m	630	+34	Keihin Express	3.2m	845	+5
Nippon Steel	4.2m	350	+3	Meiji Milk Prods	2.7m	941	+49
Nissan Chem	4.0m	624	+27	Nomura Secs	2.2m	1,490	-10
Japan Storage	3.8m	1,080	+50	Mitsubishi Matl	2.1m	515	+12
Clarion	3.3m	1,260	+40	Nihon Nosan Kg	1.9m	555	+15

3:00 pm prices February 26

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1992 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
15⅞	12⅛	AAR Corp	0.48	3.0	17	374	u15⅞	15⅝	15¾	-⅛
28	20⅝	A L Labs A	0.18	0.7	23	355	21½	21⅛	21½	+⅛
68¼	58⅞	AMP Inc	1.52	2.5	25	612	61⅞	61⅛	61⅝	+⅛
79	68⅞	AMR				263840	77⅞	76¼	77¼	+1¼
2⅛	1⅞	ARX			2	103	2	1⅞	1⅞	-⅛
53½	46¼	ASA x	2.75	5.8	13	323	47⅛	46¾	47⅛	-¼
68⅛	60⅞	Abbott Lab	0.60	0.9	494749		63⅞	62¼	63½	+⅞
13¼	12⅛	Abitibi Pr	0.43	3.2	28	56	u13¼	13⅛	13¼	
11⅝	10½	ACM Gvt In	0.96	9.0		816	10⅝	d10½	10⅝	
10⅛	9⅛	ACM GvOpp	0.80	8.8		99	9⅛	d9⅛	9⅛	
9½	8⅝	ACM Gvt Sp	1.01	11.2		254	9	8⅞	9	+⅛
11¼	10⅛	ACM Gvt Se x	0.96	9.1		227	10½	10⅜	10½	+⅛
9⅞	8⅛	ACM Man	0.95	10.4		180	9¼	9⅛	9⅛	-⅛
12⅞	10⅞	ACM Manage	1.08	9.7		184	11⅛	11⅛	11⅛	
10⅛	7	Acme Cleve	0.40	4.1	18	52	9⅞	9⅝	9⅞	
5⅛	4½	Acme Elect			3	4	5⅛	5	5	-⅛
33¼	21⅛	Acuson				132123	21⅞	21¼	21½	-⅛
19⅝	18½	Adams Expr	0.48	2.5	0	230	19⅛	19	19⅛	
15½	13	Adobe12PY	2.40	16.6		24	14⅝	14½	14½	
5⅞	4½	Adobe Res			2	100	5⅛	5	5	
49⅛	42¼	Ad Micro	3.00	6.7		331	45¼	44½	44½	-1
21½	17⅞	Ad Micro P	3.00	16.3		127753	19⅛	18⅞	18⅞	-⅞
7⅞	5	Advest Grp	0.16	2.1	31	199	u7⅞	7⅞	7⅝	+⅛
71¼	68⅛	Aegon ADR			6	3	68¾	68¾	68⅞	-⅛
47	39	Aetna L/	2.76	6.0		91366	45⅞	45¼	45⅞	+½
11⅛	8⅛	Afil A	0.24	2.2		787334	u12	10⅛	11	+1
32⅞	29⅛	Aflac	0.40	1.3	16	736	30	29¾	29⅞	-¼
19⅞	15⅝	Ahmanson	0.88	4.8		81436	18⅞	18⅜	18½	+⅛
[illegible]										

A solid foundation.

To safeguard the future, VIAG invested DM 4 billion in 1991.

VIAG

AKTIENGESELLSCHAFT

Georg-von-Boeselager-Str. 25
D-5300 Bonn 1
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Continued on next page

NYSE COMPOSITE PRICES

Continued from previous page

1992 High	1992 Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
40⅝	33½	Russell Cp	0.32	0.9	28	432	36⅝	36¼	36¼	-⅛
26⅛	18⅝	Ryder Syst	0.60	2.4	301	199	u25¼	23⅞	25¼	+1⅛
28	22¼	Ryland Grp	0.60	2.3	21	455	26¼	25¾	26¼	+½

- S -

1992 High	1992 Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
21	17½	S Anita Rt	1.36	7.2	17	24	18⅞	18⅝	18¾	-⅛
18⅞	15¼	SCOR US Cp	0.24	1.3	10	17	18¼	18	18	
29½	24¼	SPS Techno	1.28	4.6	21	52	28	27⅞	27⅞	
1	½	Saatchi&S	0.19	20.3		15260	1	⅞	1	
13	12⅛	Sabine Rit	1.31	10.2	7	33	12⅞	12¾	12⅞	
11⅞	9½	Safecard	0.15	1.5	9	229	10⅛	10	10	-⅛
16	14⅛	Safeg'd Sc			7	16	16	14¾	16	+⅛
28⅜	25⅛	SafetyKln	0.34	1.3	27	478	26½	25¾	25⅞	-⅜
20¼	16⅞	Safeway			37	1217	17¾	17⅜	17¾	+⅛
4⅝	3⅛	SafewayW86				23	3⅞	3⅜	3¾	
36¼	29⅞	StJoePaper	0.20	0.6	48	157	36⅛	35⅞	36	+¼
34¾	32⅛	StJosL&P	1.72	5.2	13	z100	33¼	33¼	33⅝	
75¾	66⅛	St Paul's	2.72	3.7	7	264	73½	72¾	73⅛	+⅛
7¾	2⅞	Salant Crp			0	106	5⅝	5⅜	5⅝	+⅛
75⅛	61½	SallieMae x	1.00	1.5	18	3714	68	64	68	+2⅞
14¼	13⅝	Salomon Br	1.61	11.6		299	14⅛	13⅞	14	+⅛
32½	28⅞	Salomoninc	0.64	2.1	7	1498	30⅛	29⅝	30	+¼
45⅛	42⅞	SanDgo G&E	2.80	6.2	12	363	44¾	44⅛	44¾	+¼
	2⅞	SantaFeEDu	0.40	12.3	27	43	3¼	3	3¼	+⅛
	7	SantaFeERs	0.16	1.9	38	894	8⅜	8¼	8⅜	+⅛

- X - Y - Z -

1992 High	1992 Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
27	25¼	Yankee Egy	1.60	6.0	13	3	26⅝	26½	26½	
1⅞	½	Zapata			28	321	1¼	1⅛	1⅛	-⅛
11⅛	7¼	ZenithElec				51629	10	9½	10	+¼
16⅞	14½	Zenith Nat	1.00	6.7	6	43	15⅛	15	15	-⅛
6¾	6	Zenix Inc x	0.84	12.7		151	6⅝	6½	6⅝	
13¾	11⅛	Zero Corp	0.40	3.0	20	196	13½	13⅛	13⅛	-¼
38	34⅛	Zurn Ind	0.88	2.4	16	598	37⅝	37¼	37⅜	+⅛
14⅛	12¾	Zweig Fund	1.16	8.9		295	13	12⅞	13	+⅛
11	9⅞	Zweig Totl	0.96	9.4		1277	10¼	10	10¼	+⅛

Price data supplied by Telekurs.

Yearly highs and lows reflect the period from Jan 1, excluding the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

3:00 pm prices February 26

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
Fab Inds	0.60	13	371	35	34⅞	35	
Fina Inc A	3.20	28	12	u78⅞	78⅝	78⅝	
FstCityBnc	0.05	11	7	7½	d7½	7½	
Fluke (J)	0.48	45	212	26⅞	25¼	26⅞	+⅞
Forest La		33	477	35⅞	34½	35¾	+1⅛
Frequency		7	5	4⅞	4¾	4¾	-⅛
Fr oiLoom		20	1138	34	33⅛	33½	-⅛
FstAust	1.08		133	u9⅞	9⅞	9⅞	+⅛
Giant FdA	0.66	13	1092	u25⅞	24⅝	25¾	+1
Glatfltr	1.20	17	13	57	56¾	56⅞	-⅛
Goldfield		7	139	⅞	d¾	⅞	
Greenman		33	16	5⅜	5⅜	5⅜	
GRI Corp		7	94	⅞	⅞	⅞	
Gulf Cda	0.35	8	6	4¾	4⅞	4⅞	-⅛

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
Maxxam		8	89	40½	39½	40	-⅝
Media A	0.44	8	46	21⅞	21	21⅞	+⅛
Mem Co		94	132	9⅜	9¼	9½	-½
Michi En	0.40	14	21	15	14⅞	15	
Moog A		6	90	5½	5⅜	5½	+¼
MSR Expl		1	30	½	½	½	
Nabors		14	281	6⅝	6½	6½	
Nat Ptnt		1	269	4⅝	d4¼	4⅝	
New Line		20	248	16	15	16	+⅛
NY TimesA	0.56	42	607	28⅛	27⅝	27⅞	-½
NthCanOil	0.18	40	5	8⅜	8⅜	8⅞	+⅛
NV Ryan		0	614	1¾	1½	1⅝	
Odetics A		45	4	6½	6⅜	6⅜	
Olsten x	0.24	39	358	27½	27¼	27½	+⅛
OMI Corp	0.14	7	664	6¾	6¼	6⅝	+¼
Pall Corp	0.36	39	680	30¾	29¼	30⅛	+⅝
Pegasus G	0.10	36	401	13½	13¼	13½	+⅛
Perini		48	31	13	13	13	
Pet Ht&P	0.31	8	11	10⅜	10¼	10¼	

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
UtdFoodsA		4	14	1⅜	1⅜	1⅜	
UtdFoodsB		81	5	1½	1½	1⅝	
UnivPtnts		24	117	10½	9¾	10⅛	+⅜
US Cellul		38	487	23⅜	23⅛	23⅜	+¼
Vivigen		27	22	13½	13	13	-⅛
WangLab C		2	45	9⅛	8½	8⅝	-⅞
WangLab B		2	13328	8⅜	8⅛	8⅜	+⅛
Westbrld		31	941	4½	4⅜	4⅜	
Westamer	0.48	8	12	19⅝	19⅜	19½	
WIRET x	1.20	14	103	13½	13⅜	13⅜	
Worthen		10	81	u22⅛	20¾	22⅛	+1¼
Xytronix		19	165	14⅝	d13⅝	14⅛	-½

POLAND

The FT proposes to publish this survey on
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This survey will be included in the FT of that day and will be printed in London, Frankfurt, Roubaix, New Jersey and Tokyo. It will be distributed in 160 countries world-wide.
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FT SURVEYS

NASDAQ NATIONAL MARKET

3:00 pm prices February 26

- X - Y - Z -

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
WPP Group	1.11	2	10297	3⅞	2¾	3⅞	+⅛
Wyman-Gn	0.40	4	446	4¾	4½	4¾	
Xilinx		31	1732	29¼	28¾	29⅝	+⅝
Xoma Corp		13	3860	22¾	22	22¾	+¾
Yellow Fr	0.94	33	728	32	30⅞	31⅞	+⅞
York Rsch		47	540	6⅛	5¾	5¾	
ZionsUtah	1.44	9	460	47¾	47	47½	+¼

BRUSSELS

The FT proposes to publish this survey on
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Data source: The European Business Readership Survey 1991.

FT SURVEYS

FINANCIAL TIMES

Thursday February 27 1992

AMERICA

Pleasing durable goods orders help to lift Dow

Wall Street

BUOYED UP by bigger-than-expected January durable goods orders and comments about lower interest rates by the treasury secretary, share prices moved ahead across a broad front yesterday morning, *writes Patrick Harverson in New York.*

By 1 pm the Dow Jones Industrial Average was up 19.67 at 3,277.50. The more broadly based Standard & Poor's 500 was also higher at midsession, up 3.04 at 413.49, while the Nasdaq composite of over-the-counter stocks, which has taken a beating from profit-takers in recent sessions, bounced back with a gain of 8.30 to 629.70. Turnover on the NYSE was 138m shares by 1 pm.

The morning report that durable goods orders rose 1.5 per cent in January provided a firm foundation for the market at the opening. Analysts had forecast a rise of only 1 per cent, and although the difference was not huge, any sign of economic progress is eagerly welcomed by the market in its current uncertain mood.

Comments from Mr Nicholas Brady, the treasury secretary, that real interest rates should be lower also aided sentiment. Since the big drop in consumer confidence was announced on Tuesday, hopes have risen that the Federal Reserve will cut interest rates again.

Wal-Mart rose $⅝ to $52⅛ after the world's biggest retailer announced a 34 per cent increase in sales and a 25 per cent increase in profits to $1.6bn in 1991.

Glenfed dropped $1⅜ to $7⅛ in turnover of ¼m shares after the Florida-based savings and insurance group restated its fiscal second quarter profit downwards and warned that its third quarter profitability was in question.

Harley-Davidson rose $2⅝ to $54¾ after Ms Jill Krutick, analyst at Salomon Brothers, the securities house, raised its rating on the stock to "outperform". The upgrade follows a recent meeting between analysts and the company, which persuaded the analyst that capacity problems at the motorcycle maker would soon be sorted out, leading to earnings for the year that should exceed market estimates.

Telefonos de Mexico, one of the biggest stars of 1991, rose another $3¼ to $58 after the recently privatised Mexican telecommunications giant said that net income last year rose by almost 80 per cent.

There was strong demand for the initial public offering of $16m shares in Musicland Stores. Floated at $14½, by early afternoon they had risen to $16 in turnover of 3.6m shares.

On the over-the-counter market, Microsoft jumped $4 to $119¾ in active trading after Donaldson, Lufkin & Jenrette, the broking house, reinstated its "buy" recommendation on the stock, citing the likelihood of strong demand for the company's improved version of its highly popular Windows user interface for personal computers.

Amgen rose $2¼ to $66¼ on the news that the company will repurchase up to $50m of its own common stock.

Autotrol plunged $4⅞ to $10 after the company, which manufactures water treatment control systems, announced that talks leading to a possible takeover by the utility group Wicor (up $½ at $25⅛) had been terminated.

Canada

TUESDAY'S release of the federal budget lifted uncertainty from Toronto stocks and sent the market chasing after Wall Street's recent gains. At midday, the TSE 300 composite index rose 26.0 to 3,570.9. Advances led declines by 243 to 164 on volume of 14.9m shares valued at C$157.9m.

Bank shares led the advance, following good earnings from the Bank of Montreal and the Bank of Nova Scotia.

New Zealand's exporters gain as economy recovers

Second-liners have risen sharply but heavyweights have remained in the doldrums, writes Terry Hall

Prices for many second-line stocks have risen sharply as New Zealand investors show increasing confidence in the country's economic fortunes. This follows a spate of good economic news, strong profit recoveries and rising business confidence.

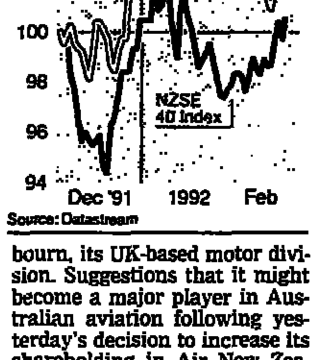
Interest rates have been falling and there has been a sharp drop in the New Zealand dollar, which is helping exporters. Commodity prices have also risen and inflation is now running at just 1 per cent, the lowest rate of any OECD country. Some companies, especially those in the exporting sector, have seen their share prices double or quadruple in recent months.

However, leading stocks have been immune to this trend and, judging from their performance, the New Zealand market is in the doldrums. The NZSE-40 index, which started on September 30 last year, struggled back through the 1,500 mark this week, to close at 1,535.86 yesterday. The index has recovered from its mid-December low of 1,409.86 but is still well off its all-time high of 1,561.74 reached last November.

The index is dominated by heavyweights which have been out of favour. These include Fletcher Challenge, the country's largest industrial company, which is 79 cents below its 12-month high of NZ$4.21. The stock has been depressed by last week's news of a sharp fall in profits from its international pulp and paper operations and lacklustre performances from all of its other activities except petrochemicals.

Brierley Investments is receiving little support as investors reassess its future following the sale last December of Tozer Kemsley and Millbourn, its UK-based motor division. Suggestions that it might become a major player in Australian aviation following yesterday's decision to increase its shareholding in Air New Zealand to 42.5 per cent is also weighing on the stock.

New Zealand



Source: Datastream

Telecom has been weak on reports that it is losing market share to its main rival Clear Communications, which now gives a cheaper telephone service across 80 per cent of New Zealand. But Telecom picked up a little this week after stating that it was planning to expand in Australia and Asia.

Lion Nathan, the brewer, has yet to recover the ground it lost since its proposed merger with Australian Consolidated Investments (ACIL) was cancelled in January. News that it was going to acquire the 50 per cent stake it does not own in National Brewing Holdings, Australia's second biggest brewer, from ACIL was seen as the less favoured option.

However, second-liners tell a different story, especially exporters, which have been in big demand.

The commodity exporter Mair, which was selling at 50 cents last year, has jumped from 85 cents to NZ$2.45 this year, with most of the rise following last week's announcement of a strong increase in profits, the reinstatement of the dividend and a one-for-three scrip issue.

Shares in niche primary producing companies such as the apple producers Applefields and Eastern Equities, Grocorp and Agland have shown similar rises.

Manufacturing exporters, which are prospering in Australia under the Closer Economic Relations trade pact, have been sought. Ceramco, the engineering, food and clothing conglomerate, has concentrated on high-quality lingerie and now controls 25 per cent of the Australian market: its shares have risen from 76 cents to NZ$2.55 this year.

Even the speculators are back. Remarkable movements have been seen in the shares of the investment bank Fay, Richwhite – whose flamboyant founder, Mr Michael Fay, is heading New Zealand's challenge in the America's Cup yacht race.

Fay, Richwhite shares have moved in tandem with the success or otherwise of the yacht's performance in the qualifying races. In one burst they shot from 70 cents to NZ$1.19, but stood at 90 cents yesterday.

All of these fluctuations have been in spite of warnings from the company that there is nothing in its current trading to support such sharp movements.

History is repeating itself. In the previous challenge, the company, then known as Capital Markets, saw its shares advance from a few cents to over NZ$8 when it seemed the challenge might be successful.

EUROPE

Frankfurt and Paris resume upward march

SENIOR BOURSES resumed their upward march after Tuesday's brief setback, *writes Our Markets Staff.*

FRANKFURT had a strong day, as trading concentrated on Volkswagen and second-liners. The DAX index closed up 14.97 at 1,737.27, the day's high, while the FAZ index, calculated at midsession, rose 2.60 to 704.29. Volume rose to DM7.6bn from DM7.3bn.

VW gained DM5.50 to DM362.00 as the market was caught short by a rush of buy orders. The stock was also lifted by reports that the new Golf was virtually booked out until the end of September and that the company was introducing extra shifts to meet demand. However, analysts cautioned that the new Golf was aggressively priced, which suggested little enhancement to profit margins.

Among second-liners, Henkel closed DM11.40 at DM608.90 and Altana gained DM20 to DM670. Schering added DM18.50 to DM867.

PARIS also ended at the day's high as international investors resumed their buying of cyclical stocks, encouraged by the stronger dollar. The CAC-40 index added 27.78 or 1.4 per cent to 1,981.31 in moderate turnover of FFr2.8bn.

FOREIGNERS should not be discouraged from investing in Italy if a weak government emerges from the general election in April, because this outcome should hasten the demise of traditional political parties who are not attuned to the country's economic needs, according to Mr Piero Ottone, a leading political commentator, writes Antonia Sharpe.

Mr Ottone told UK fund managers attending a seminar in London hosted by Pastorino, a leading Milan brokerage house, that there are already signs of a new political formation in Italy which is ready to give incentives to the business community, especially to the medium-sized and small companies which form the backbone of the economy.

Among the index heavyweights, Elf added FFr7.40 to FFr386.50, Michelin put on FFr5.10 to FFr170 and Peugeot rose FFr17 to FFr747.

The supermarket group Casino climbed FFr9.40 to FFr168.40 in good volume of 245,900 shares and the retailer Promodes rose FFr96 to FFr3,125 on rumours that the two will merge.

Hachette jumped FFr16 or 9.9 per cent to FFr178 on reports that it will reduce its stake in the troubled television company La Cinq from 25 per cent to 10 per cent.

The drinks company Rémy Cointreau gained FFr14.90 or 7.8 per cent to FFr204.90 on light volume of 6,475 shares. BZW, which is believed to be involved in Rémy's share placement, is presenting the company in London on March 13 and in Paris on March 16.

MILAN lost early gains. The Comit index fell 2.3 to 542.74 in turnover estimated at L90bn after L125.7bn.

The session started strongly with Fiat gaining L81 to L5,131 and other stocks in the Agnelli group rose, IFI adding L100 to L13,300. But weakness in insurers and banks spread to the rest of the market. La Fondiaria dropped L1,040 or 2.7 per cent to L37,800.

Credito Italiano fell L195 to L2,100 on fears that it will have to offer a higher price to take control of Banca Nazionale dell'Agricoltura.

AMSTERDAM saw strong foreign buying in Akzo, mainly from US and UK investors, after the chemicals group reported a 13 per cent drop in 1991 net profit. The CBS Tendency index rose 0.6 to 126.4.

Akzo's results were at the lower end of expectations, but analysts believe that the group has good earnings potential this year. The shares closed at a record high, up Fl 2.8 or 1.9 per cent, at Fl 150.50.

ZURICH was lifted by Frankfurt and London and the SPI index closed up 5.1 at 1,141.8. Oerlikon-Buehrle bearers closed up SFr38 or nearly 11 per cent to SFr386 after the industrial and armaments group reported a smaller than expected operating loss for 1991.

COPENHAGEN fell in quiet trading, the CSE index down 0.45 at 349.61, *writes Hilary Barnes.* Baltica Holding, down DKr20 on Tuesday after reducing its profits forecast, rose DKr7 to DKr352 while Novo Nordisk fell DKr4 to DKr525.

STOCKHOLM drifted, the Affärsvarlden General Index inching ahead 0.1 to 927.3 in volume of SKr372m. Astra put on SKr7 to SKr577. SE Banken closed up SKr1.50 at SKr46.50.

MADRID moved narrowly ahead, the general index closing up 2.8 at 262.34. Telefónica continued to rise, gaining Pta35 or 3 per cent to Pta1,150. Utilities were firm.

BRUSSELS was boosted by an afternoon fall in bond yields. The Bel-20 index closed up 4.35 at 1,197.99 in heavy turnover of BFr1bn. GIB rose BFr38 to BFr1,390 with nearly 160,000 shares traded.

FT-SE Eurotrack 100 - Feb 26

Hourly changes

Open	10 am	11 am	12 pm	1 pm	2 pm	3 pm	close
1159.91	1160.55	1161.21	1161.12	1162.13	1161 82	1166.27	1165.89

Day's High 1166.91 Day's Low 1159 65

Feb 25	Feb 24	Feb 21	Feb 20	Feb 19
1156.42	1163.91	1154.51	1149 62	1140.09

Base value 1000 (26/10/90)

ASIA PACIFIC

Nikkei rises on hopes of easing in trading rules

Tokyo

JAPANESE equities followed the futures market higher, lifted by hopes of an easing in share trading rules and a cut in the discount rate, *writes Emiko Terazono in Tokyo.*

The Nikkei average closed 339.22 ahead at 21,364.77. It fell to the day's low of 20,940.07 shortly after the opening, and reached the session's high of 21,376.69 just before the close on arbitrage-related buying and bargain hunting by individuals and dealers.

Volume picked up to 200m shares from 160m. Rises led falls by 727 to 231, with 155 issues unchanged. The Topix index of all first section stocks gained 16.04 at 1,552.01, but in London the ISE/Nikkei 50 index ended just 0.59 up at 1,184.10.

Hopes that the Finance Ministry would relax trading restrictions such as the "30 per cent" rule, which prevents a single broker from trading more than 30 per cent of one stock, and the "15-minute" rule, which restricts brokers from trading on their own accounts 15 minutes before the market's close, buoyed equities. Rumours that the Finance Ministry had asked insurance companies to support the market also encouraged investors.

Strength in Nippon Telegraph and Telephone bolstered other shares. NTT rose Y25,000 to Y733,000 on prospects of a possible stock split. Financial authorities have suggested that greater liquidity in the stock would encourage more trading. Reports that NTT will co-operate with KDD, the overseas telecom company, to operate internationally, also sparked interest. NTT denied the reports.

Individuals were seen buying pharmaceuticals on renewed interest in Aids-related issues. Mochida Pharmaceutical surged Y400 to Y2,630 on speculation that it was developing a new Aids drug. Meiji Milk Products jumped Y49 to Y941.

Electric power companies rose on hopes that lower interest rates would boost profits. Chubu Electric Power appreciated Y90 to Y2,890.

Most electronics issues were unaffected by downward earnings revisions by Matsushita Electric Industrial, Hitachi and Oki Electric Industry. Traders said investors felt the sector was oversold. Hitachi lost just Y3 to Y845 and Matsushita held at Y1,340.

Brokerages were among the few losers of the day, as investors were discouraged by the recent disputes regarding window dressing for clients' investment losses. Nomura Securities shed Y10 to Y1,490 and Daiwa fell Y19 to Y951.

In Osaka, the OSE average rose 252.85 to 22,834.75 in volume of 79.5m shares. Popularity of drug and chemical issues spread to Ono Pharmaceutical, the most active issue of the day, which rose Y270 to Y5,980.

Roundup

HONG KONG stood out firmly in a generally weak session on the Pacific Rim.

HONG KONG climbed to a record high, encouraged by the US senate's failure on Tuesday to approve restrictions on China's Most Favoured Nation status. The Hang Seng index put on 34.51 to 4,794.71 in turnover of HK$2.82bn, after HK$1.89bn.

Buying, however, was tempered by caution ahead of Hong Kong's 1992 Budget, due on March 4, and the release of Hongkong and Shanghai Banking's 1991 results on March 10.

Utilities were higher, Hong Kong and China Gas adding 60 cents at HK$13.90.

AUSTRALIA was little changed ahead of the government's economic statement. The All Ordinaries index eased 1.8 to 1,638.1.

News Corp dropped 62 cents to A$16.90 following news this week that Mr Barry Diller had resigned as chairman and chief executive of Fox, the group's television and film subsidiary.

SEOUL retreated for the third straight day as a decline in cash deposits with securities firms, and political uncertainty before the general election, sapped the market's energy. Goldstar, the nation's second largest electronics maker, tumbled to its bottom limit for the second day in a row to end Won600 lower at Won13,500, following worse than expected 1991 results. The composite index fell 10.65 to 621.42 in turnover of Won206.67bn.

SINGAPORE closed weaker after light trading while KUALA LUMPUR turned firmer. Both markets were still digesting Tuesday's news of a $3bn lawsuit filed in California against Malaysia's government-owned Bank Bumiputra. The Straits Times Industrial index slipped 8.85 to 1,484.42 while the KLSE composite index improved 0.87 to 603.16.

TAIWAN continued to decline on fears that the government might tighten the money supply further. The textile sector led the day's losses and the construction sector was the only gainer. The weighted index receded 36.23 to 4,951.50 in T$36.8bn turnover.

MANILA was disappointed that Philippine Long Distance Telephone's 15 per cent stock dividend will not be paid until June 15. The composite index fell 21.67 to 1,193.48.

BOMBAY rose to a record high, boosted by Tuesday's railway budget which spared industry by proposing lower than expected increases in freight rates. The BSE index forged ahead 126.25 to 2,617.52.

SOUTH AFRICA

JOHANNESBURG closed mixed. The all-gold index ended down 16 at 1,198 as the gold price dropped below $350 an ounce. Vaal Reefs shed R2 to R218. The overall index rose 4 to 3,547 while the industrial index gained 14 to 4,362.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	TUESDAY FEBRUARY 25 1992								MONDAY FEBRUARY 24 1992					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1991/92 High	1991/92 Low	Year ago (approx)
Australia (69)	146 35	+1 2	123 49	119 75	124.74	129 56	+0 8	4.26	144.68	122.75	118.07	123.96	128.46	160.31	112.74	133.96
Austria (20)	186.43	+0.4	157.31	152.55	158.91	158.31	−0.7	1.82	185.68	157.53	151.53	159.09	159.41	222.37	153.86	216.23
Belgium (46)	140.26	+1 2	118 36	114.77	119.55	116 57	+0.3	5.05	138.55	117.55	113.06	118.71	116.17	151.20	118.04	148.66
Canada (115)	134.38	−0.1	113 37	109.93	114 51	115.34	−0.2	3.19	134.44	114.06	109.71	115.18	115.56	144.28	126.49	135.96
Denmark (36)	246.67	−0.5	208.14	201.84	210 25	214.29	−0.5	1 67	247.83	210.26	202.25	212.34	215.38	273.94	217.74	266.03
Finland (15)	85.59	−1 1	72.23	70.04	72.96	80.90	−1.4	2.46	86.55	73.43	70.63	74.16	82.04	125.15	73.32	113.22
France (108)	153.71	−0.6	129.70	125.77	131.01	134.42	−1.1	3 31	154 67	131.23	126.21	132.51	135.93	154.70	119.11	146.05
Germany (65)	119 18	+0.4	100.56	97.53	101.58	101 58	−0.1	2.27	118 68	100.68	96.86	101.68	101.68	125.35	94.15	121.65
Hong Kong (55)	197 43	+0 9	166 59	161.55	168.29	196 72	+0.9	3 86	195.68	166.01	159 68	167.66	194.97	198.44	119.62	142.97
Ireland (18)	163.95	+0.5	138.35	134.16	139.75	142.03	+0.0	3.60	163.14	138.41	133.13	139.77	142.02	182.46	132.88	167.20
Italy (77)	76.99	+1.8	64 97	62.99	65.62	70 74	+1.3	3.27	75.65	64.18	61.73	64.81	69.86	88.23	64.76	87.08
Japan (473)	116.64	−0.3	98.42	95.44	99.43	95.44	+0.0	0 89	116.95	99.22	95.43	100.21	95 43	146.97	116.27	143.99
Malaysia (68)	243 22	−2 0	205.23	199.01	207.31	242.75	−1.8	2.74	248.10	210.49	202.46	212.56	247.29	250.18	189.18	230.51
Mexico (18)	1686 77	+0.2	1423.33	1380.24	1437.76	5644.72	+0.2	0.98	1683.80	1428.54	1374.08	1442.66	5634.31	1694.11	534.45	589.94
Netherland (31)	150.76	+0 1	127.21	123.36	128.51	126.95	−0.4	4.32	150 68	127.84	122.96	129 10	127.50	156.48	125.70	141.12
New Zealand (14)	46 03	+1.1	38.84	37.66	39.23	45 15	+1.0	6.08	45.52	38.62	37.15	39.00	44.72	54.64	41.18	48.40
Norway (24)	162.08	−0.3	136.76	132.63	138.15	140.90	−1.2	1.74	162.53	137.89	132.64	139.26	142.57	223.24	157.08	206.58
Singapore (38)	218.07	−1.0	184.01	178 44	185.87	164.91	−1 2	2.12	220 26	186.87	179.74	188.71	166.97	228.43	151.83	195.07
South Africa (61)	220.22	+0.7	185.83	180.20	187.71	177.96	+1.1	2.81	218.71	185.56	178.48	187.38	176.06	271.99	173.00	197.47
Spain (52)	155.61	+0 1	131 30	127.33	132.63	121.18	−0.4	4.57	155.52	131.95	126.92	133.25	121.85	171.12	131.51	165.49
Sweden (25)	174.61	−0.2	147.34	142.89	148.84	153.68	−0.7	2.93	174.91	148 39	142.74	149.86	154.71	204.12	146.60	192.76
Switzerland (59)	99.35	+0.2	83.83	81.30	84.69	91.47	−0.2	2.19	99 19	84.15	80.95	85.00	91.69	104.22	82.17	98.39
United Kingdom (233)	178.51	+0.0	150.63	146.06	152.14	150.63	−0.5	4.95	178.43	151 38	145.59	152.86	151.38	187.44	156.27	179.42
USA (523)	167 51	−0 4	141 35	137.07	142.78	167.51	−0.4	2.92	168.10	142.62	137.19	144.03	168.10	171.66	125.95	147.07
Europe (809)	145.72	+0.1	122.96	119.24	124.21	124.32	−0.4	3.89	145.51	123.45	118.75	124 68	124.79	151.52	125.50	147.37
Nordic (100)	173.03	−0.3	146.00	141.59	147.49	145.96	−0.7	2.20	173.63	147.31	141.69	148.77	146.94	200.81	155.55	192.73
Pacific Basin (717)	120 29	−0.2	101 50	98.43	102.53	99.43	+0 0	1.24	120 50	102.23	98.34	103.25	99.38	145.92	117.86	143.23
Euro – Pacific (1526)	130.72	+0.0	110.31	106.96	111.42	110.01	−0.1	2.42	130.77	110.95	106.71	112.04	110.17	147.66	121.29	145.29
North America (638)	165 40	−0.3	139.57	135.36	141.01	163.96	−0.3	2.93	165.96	140 81	135.45	142.22	164.53	169.69	125.91	146.30
Europe Ex UK (576)	125 66	+0.2	106 03	102.84	107.13	108.92	−0.3	3.13	125.39	106.38	102.35	107.46	109.24	129.80	103.58	127.62
Pacific Ex Japan (244)	156.36	+0.5	131.94	127.96	133.29	140 14	+0.3	3.81	155.63	132.04	127.02	133.36	139.66	156.39	111.40	133.50
World Ex US (1720)	132.82	+0.0	112 08	108.69	113.22	112.24	−0.1	2.44	132.85	112.71	108.42	113.83	112 37	148.16	122.32	145.75
World Ex UK (2010)	140.19	−0.2	118.30	114.72	119.51	127.11	−0.2	2.35	140.44	119.15	114.61	120.34	127.33	150.58	120.06	141.71
World Ex. So. Af. (2182)	143.05	−0 2	120.71	117.07	121.94	128 89	−0.2	2.62	143.28	121.56	116.94	122.77	129.18	153.05	122.92	144.74
World Ex Japan (1770)	159 06	−0.1	134.22	130.17	135.60	148.72	−0.3	3.29	159.23	135.09	129.95	136.45	149.16	161.90	126.69	147.04
The World Index (2243)	143.52	−0.2	121.11	117 45	122.34	129.33	−0.2	2 63	143 74	121.95	117.31	123.16	129.60	153.70	123.28	145.05

Latest prices were unavailable for this edition.